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NEWS SUMMARY

GENERAL

Algeria mourns quake deaths

Algeria has declared a week of national mourning after the earthquake which devastated the city of El Asnam on Friday.

New tremors shook the city yesterday as rescuers tried to reach hundreds of victims who still seemed to be alive.

It is still impossible to obtain an accurate assessment of the casualties; rescue workers said there were still many bodies to be recovered. Back Page

West End blasts

Two explosions within half an hour rocked premises in London's West End last night. The blasts happened at the Turkish Airlines office in Conduit Street, off Regent Street, and the rear of the Swiss Centre, in Wadour Street. No one was believed hurt.

Rightist stabbed

Mark Fredriksen, leader of the extreme Right-wing European Nationalist Groups (FANE), was one of two men wounded in Paris by a clandestine Jewish group. Fredriksen was stabbed in the thigh and received hospital treatment.

Schmidt attack

West German Chancellor Helmut Schmidt accused East Germany of "fundamentally violating" its political relationship with West Germany by revising currency regulations for West German visitors.

Blaze probed

Police were investigating a fire which caused about £2m damage to a South Wales factory that produces car sumps for BL. Arson is suspected.

Ulster car bomb

Seven people, including four policemen, were slightly injured by a car bomb explosion outside a police station in Co. Down, Northern Ireland. The Provisional IRA claimed responsibility.

Free apples week

Britain's fruit farmers plan to give away thousands of Cox apples this week to Londoners—including Mrs. Thatcher—in a campaign against French Golden Delicious imports.

Charity drive

The charity Help the Aged launched a campaign to raise £1m to provide extra care for the old and frail.

Dissident 'ill'

Jewish dissident Anatoly Shcharansky, serving 13 years in a Soviet labour camp on spying charges, is in hospital with severe stomach pains, dissidents said.

Mining accident

Seven black miners still missing after a gold mine accident south of Johannesburg are feared dead. Three bodies have already been recovered.

Stuntman's feat

A stuntman at Hertfordshire stock car meeting drove a Jaguar XJ6 at 120 mph over 25 parked cars—believed never to have been attempted before—then received minor injuries after hitting another parked car.

Briefly . . .

Soviet seaman left Tokyo for the U.S. where he is being granted political asylum.

Forest fires destroyed thousands of acres of woodland in Eastern Spain.

Prisoner on remand at Oxford jail was found dead in his cell.

BUSINESS

Minister for small companies urged

● SMALL BUSINESS representatives lobbying inside the Conservative Party are to urge Mrs. Thatcher to set up a small business section of the Cabinet Office under an independent Minister of State. Back Page

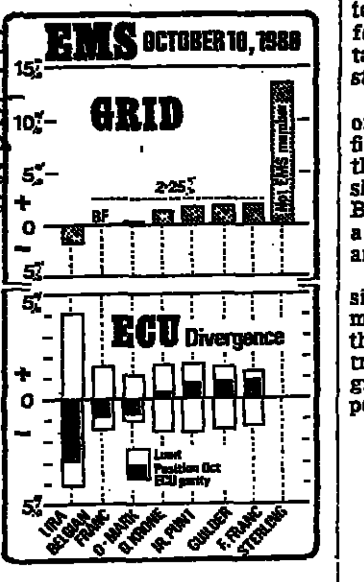
● WELLS FARGO, the U.S. bank, plans to launch two unit trusts for tax exempt pension funds and charities in the UK on November 4. Back Page

● SHAREHOLDERS of Coral Leisure Group, which is being taken over by Grand Metropolitan, are likely to approve today the record £300,000 compensation payment for company chairman Nicholas Coral. Back Page

● DATSUN dealers in the UK have lodged protests in Tokyo against alleged breaches by other Japanese car importers of an Anglo-Japanese informal marketing agreement. Page 6

● THE BL Mini Metro car has received favourable reviews in the French and Italian press. Page 19

● FRENCH FRANC returned to the top of the European Monetary System at the end of last week, despite suggestions that France may incur a record trade deficit with West Germany this year. The Dutch guilder and the Irish punt were also firm, followed by the Danish krone. The D-Mark continued to trade in the lower reaches of the EMS, above the Belgian franc and Italian lira. Italy's political and economic problems again depressed the lira, while the resignation of the Belgian Government led to further support by the authorities for the Belgian franc. Foreign exchange trading was generally quiet, but the Belgian National Bank probably gave more support to the franc than the estimated BFr 3bn the previous week.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● TURKEY devalued its lira by an average 3 per cent against the dollar and 15 other major currencies, putting the dollar rate at 82.7 lira (80.0). It was the country's 12th devaluation this year.

● STATFJORD oilfield loading buoy completion could be delayed by a year after a dispute over construction costs. Page 5

● BRITISH STEEL Corporation chairman Ian MacGregor has told the Iron and Steel Trades Confederation that he has no plans for further plant closures and redundancies. Page 8

Callaghan given conflicting advice over resignation

BY RICHARD EVANS, LOBBY EDITOR

OPEN WARFARE erupted yesterday between Left and Right wings of the Labour Party over Mr. James Callaghan's imminent decision on whether to resign or to continue as leader until a new electoral method is devised early next year.

More than 60 MPs from the Party's right and centre sent a dramatic message to the Shadow Cabinet insisting on maintaining their right to elect their own leader irrespective of the controversial conference decision to construct a broader electoral college.

Left-wingers countered by urging Mr. Callaghan to stay. They are also calling for an emergency meeting of the Party's National Executive Committee to spell out procedures for electing the leader, whom they insist would then have to resubmit himself under the new rules.

The decision that Mr. Callaghan must make on his future remains at the heart of the conflict now gripping the party. His decision will not be known for certain until Wednesday's meeting of the Shadow Cabinet.

But from the pressure being exerted from the Left on Mr. Callaghan to stay, and from the aggressive tactics being adopted by the Right to ensure Mr. Healey's election, the widespread assumption remains that he intends to tell the Shadow Cabinet that he plans to retire next month after five years as leader.

The escalation of the in-fighting yesterday was caused by the desire of the Right to see Mr. Healey installed before a new formula can be devised by the special conference on January 24 — and the counter wish of the Left to find an interim candidate who would delay a full-blooded contest until the wider formula is in operation.

Should Mr. Callaghan still decide to go, the best bet of the Left would be to draft Mr. Michael Foot, deputy leader, to fight Mr. Healey. There will be intense efforts in the next few days to see that this would happen.

An added twist to the chaos emerged yesterday with speculation that either Dr. David Owen or Mr. William Rodgers, two of the leading right-wingers, might be persuaded to stand against Mr. Callaghan should he decide to stay.

The Right believes Mr. Callaghan has already given away too much ground to the Left, and that a more aggressive and determined leader should take his place as rapidly as possible.

In their message to the Shadow Cabinet organised by the so-called "Dirty Dozen" Right-wingers, the MPs declare that the Parliamentary Labour Party had a duty under its standing orders to elect its leader, either when a vacancy occurred or when each new session of Parliament began.

"The time has come for Labour MPs to make clear that the system of election for the leader of the party in Parliament is a matter of clear principle—not of expediency," they declare.

Significantly, the message was signed by many Shadow spokesmen and MPs from the uncommitted centre as well as from the Right-wing Manifesto Group. It could spell the beginning of a split between the leadership of the PLP and the party's rank and file represented by conference.

It is certain to increase the bitterness of the leadership battle should Mr. Callaghan go.

Mr. Rodgers, shadow defence spokesman, said yesterday he believed it was now in the best interests of the party for Mr. Callaghan to announce his retirement.

Pay rise target 'below 10%'

By David Marsh

THE Government's cash limits on public spending now under review will aim to restrict increases in public sector pay to less than 10 per cent next year, Sir Geoffrey Howe, the Chancellor of the Exchequer, said yesterday.

In an interview on ITV's "Weekend World," Sir Geoffrey once again stressed the importance of reducing the level of wage settlements in both the public and private sectors this winter and warned that excessive pay increases were "destroying jobs."

The Chancellor's overall message — delivered in distinctly guarded tones — was that the Government was sticking to its economic policies and would eventually achieve results.

But he offered no firm promises of extra spending cuts to appease critics in the City and within his own party who believe that Government borrowing may well exceed targets for this year and next.

The Chancellor also provided little comfort to businessmen. He would not "speculate" on the scale or timing of any reduction in Minimum Lending Rate. Sir Geoffrey said plans were "in hand" to work out further methods of helping industry weather the recession. But he refused to be drawn into discussing details.

Sir Geoffrey developed the theme of possible tax cuts for industry at the Tory party conference in Brighton last week.

But the main priority in next year's Budget, he said yesterday, was to get the balance of public borrowing under control. With the recession tending to push up spending, tax reductions were not easy to contemplate. If there was any room to ease the load, relief would be provided for industry. Income tax reductions would have to wait.

Sir Geoffrey said the Government was sticking to its plans to make further cuts in the volume of public spending next year in line with its medium-term financial plan.

Commenting on the debate in Whitehall on offsetting higher spending on unemployment benefit through cuts in other areas, he said there might have to be "adjustments" in other departmental programmes. He appeared to rule out, however, further cuts in the real value of social security benefits.

The single-figure cash limit for next year's public sector pay awards had been widely anticipated during the last few weeks. Sir Geoffrey also said that the

Continued on Back Page
Lombard, Page 12

Saudis fear subversion by pilgrims

BY OUR JEDDAH CORRESPONDENT

SAUDI ARABIA has threatened to crack down on Moslems who use this year's annual pilgrimage to the Holy City of Mecca for political subversion.

It is now clear that the pilgrimage, which starts in four days' time, is already being turned into a low-key political rally, a fact confirmed by senior Saudi officials who are becoming increasingly concerned about the Kingdom's internal security.

The Saudis have been extremely nervous about internal security ever since last year's Mecca siege in which at least 500 people died in a major challenge to the regime. The Government believes that the seizure of the Grand Mosque was at least partially inspired by the hopes of support from the Ayatollah Khomeini's fundamentalist regime in Iran.

In a statement of extraordinary frankness, Prince Naif, the Interior Minister, admitted on Saudi television last Friday that Moslems ostensibly in the Kingdom for the pilgrimage were indulging in "politically motivated activity."

He said that the security services had discovered "isolated instances of the distribution of pictures, pamphlets and other literature."

Diplomats in Jeddah were surprised at the public sounding of these alarm bells. They conclude that Prince Naif, who warned of "severe treatment" for activists, was attempting a pre-emptive strike against potential troublemakers.

Prince Naif's statement appears to confirm the impression that there still exists a groundswell of dissatisfaction among many Saudis. With aircraft full of pilgrims landing every five minutes in Jeddah, it will clearly be some weeks before the Government can fully turn its attention back to the more obvious danger posed by the Gulf war.

There are several worrying parallels this year with events which led up to the siege.

The Gulf war has merely added a dimension to these internal problems. The Kingdom, in its role as keeper of the Grand Mosque, is playing host to some 2m Moslems from all over the world, about 500,000 of whom have already arrived.

But, as Britain, the U.S. and France have discovered, there is no shortage of Iranians elsewhere in the world with fundamentalist beliefs. Prince Naif said on television that he hoped the war would not "have its influence within the Kingdom"

However, it would be misleading to put too much store by the number of foreigners in the country for the pilgrimage. The potential for trouble is ever present because the Kingdom plays host to vast numbers of expatriate workers from both Moslem and non-Moslem countries.

Other Gulf War news, Page 2;
Land links a poor alternative, Page 4

Iraqis battle for Khorramshahr

IRAQ WAS preparing yesterday for what is considered the final assault on the strategic port of Khorramshahr where Iraqi and Iranian troops were fighting at close quarters.

The Iraqis appear to have mounted a successful flank attack to the north of the port, establishing three crossing points on the Karun river to help them to encircle both Khorramshahr and Abadan. Back Page

TUC to warn Government of widespread unrest

BY RICHARD EVANS, LOBBY EDITOR

THE TUC will warn the Prime Minister tomorrow of widespread social and industrial unrest if unemployment continues to rise as a result of the Government's failure to adopt more flexible policies. But Mrs. Thatcher last week pledged to the Conservative Party conference that she would maintain the Government's economic strategy.

There is virtually no prospect of agreement at what will be the first meeting between her and the TUC General Council since she gained office 18 months ago. But Ministers are anxious that a dialogue should be launched and maintained.

The Government will look for signs that the trade union movement is ready to recognise that there are elements it could contribute even against the background of current economic policies.

But union leaders, far from accepting by implication the Government's strategy, will put forward a "recovery programme" that would entail abandonment of virtually all central policies adopted by the Treasury since the General Election.

The major points of the programme were spelt out at the weekend by Mr. David Basnett, chairman of the TUC Economic Committee and a leader of tomorrow's delegation. They are:

● an immediate cut in interest rates and action to take the credit squeeze off industry—an immediate drop of four points in Minimum Lending Rate is proposed;

● action on the inflated value of sterling to help export businesses;

● action on imports, which in some cases threaten survival of entire sectors of industry;

● a firm commitment to reexpand the economy; and

● longer-term action to regenerate industry by using North Sea oil revenue.

What Ministers will try to avoid at the Downing Street meeting will be a confrontation which would open the way for a more aggressive stance by unions this winter.

Mrs. Thatcher, who will be accompanied by Sir Geoffrey Howe, Chancellor of the Exchequer, Sir Keith Joseph, Industry Secretary, and Mr. James Prior, Employment Secretary, will emphasise her wish to see the "autumn of understanding and winter of common sense" she envisaged in her Brighton speech on Friday.

One favourable element that will be mentioned in the context of TUC estimates of 3m unemployed over the next year

Continued on Back Page

Gulf oil output increased

SAUDIA ARABIA, the United Arab Emirates, Kuwait and Qatar have jointly agreed to increase their crude oil production by 1m barrels a day, Saudi Arabian radio said yesterday.

The increase will help cover oil shortages caused by the war between Iran and Iraq which has brought crude oil production in the two Gulf oil-producing countries to a standstill. Analysts have estimated that the war has created a drop of up to 2m b/d.

Arab oil exporting countries who met in Vienna last September had decided not to increase oil production rates, fearing an increase would cause a glut in world markets and force price decreases.

The oil ministers of Qatar, Kuwait and the UAE met yesterday in the Saudi Arabian summer capital of Taef, the official Saudi news agency reported.

CBI rift with unions threatened

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A MAJOR rift may develop later this week between the Confederation of British Industry and the TUC when the confederation's monthly council meeting decides whether to reject a proposed joint agreement on the introduction of new technology in individual companies.

Strong opposition has built up within the CBI against the draft agreement and the decision will be finely balanced.

At present the draft seems likely to be rejected unless a new and strong body of opinion emerges in favour of approval during the meeting on Wednesday.

Rejection would endanger the mood of collaboration which has built up between the two organisations during a series of dinner meetings over the past year or so. The TUC can be expected to attack the CBI for a lack of leadership, arguing that the employers' body is reneging on an understanding reached between the two organisations' leaders.

The draft agreement has been prepared with the encouragement of senior Government Ministers including Sir Geoffrey Howe, Chancellor of the Exchequer, and Sir Keith Joseph, Industry Secretary, following a meeting of the National Economic Development Council early this year which discussed the introduction of new technology in industry.

The draft stresses the need for technological change and says that companies should involve all employees and trade unions in discussions. "Decisions on technological change will require full consultation before any decision to change production systems is taken."

An "open style of management" is advocated, and employers are told they should make every effort to "provide security of employment for their employees."

Many leading CBI members consider that the guidelines merely outline established good practices and that they can do no harm. They argue that consent is needed for major changes and that companies should be encouraged to adopt such practices.

The opponents, who are especially vocal in the engineering industry, say that the guidelines might be used by unions to block all technological change, however minor, instead of being reserved for major innovations. They also fear that the guidelines would provide minimum standards on which unions could base more extravagent claims in individual companies.

At present there only seems to be a very small majority in favour of rejection. But the CBI prefers to do its business on the basis of a wide consensus and for this reason Sir Ray Pennock, CBI president, may advise that the draft has not obtained sufficient support to be approved.

The only alternative—which does not appear to have been considered yet—would be for the council to refer the issue to the CBI's annual conference which takes place in a month's time.

Isle of Grain deadline extended

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE Trades Union Council has effectively extended its deadline for the suspension of those unions which have flouted its guidelines on the inter-union dispute at the Isle of Grain power station construction site until the day before the next meeting of its general council, on October 22.

The TUC indicated at the weekend that it would consider suspending those unions which have not "yet" obeyed the guidelines—though the official date for indicating compliance was last Friday.

One of the three groups, the 25,000-strong construction section of the Amalgamated Union of Engineering Workers, has said it will abide by the formula if no other solution can be found by October 22. It is clear that, though it has not officially indicated its position to the TUC, it will not now face suspension.

However, the two large groups—the 1.2m strong engineering section of the AUEW and the 420,000-strong Electrical and Plumbing Trades Union—have said they will resist the instructions. All three meet to review their position on October 20.

Requests from the unions for a meeting with Mr. Len Murray, the TUC general secretary, before the general council meeting; are unlikely to be granted.

The TUC says it will call a meeting of all unions concerned only after the rebel unions have agreed to abide by its advice.

The EPTU and the engineering section of the AUEW argue that those unions who have accepted the advice are doing nothing to implement it, and that to do so would endanger the entire Grain project, with the loss of 1,400 jobs.

CONTENTS

For latest Share Index phone 01-246 8026

Iraq's oilfields 'almost unscathed'

NICOSIA — Iraq's oilfields have emerged relatively unscathed from Iranian air attacks so far, though oil terminals and a crucial pumping station damaged by the attacks will take weeks or months to repair, a Middle East oil review reported yesterday.

The authoritative Middle East Economic Survey said it was possible to make an interim evaluation of the damage on the basis of "reliable information received in the past week."

Iraq's southern oil terminals at Khor al-Amaya, Mina al-Bakr and the ancillary installations at Fao had sustained damage "likely to take several months to repair." The oilfields themselves had "escaped relatively unscathed."

In the north, the oilfields and production facilities were "essentially intact." But the main pumping station for both of Iraq's pipelines to the Mediterranean has sustained damage which would take several weeks to repair.

But even with the Mediterranean pipeline operating at full capacity, the flow would be restricted to 700,000 barrels per day to the Turkish port of Ceyhan. With 100,000 barrels per day retained for Turkish refineries, this would leave only 600,000 b/d for export, the review said.

In Baghdad the Central Bank governor, Mr. Hassan Majabi, said Iraq had enough gold reserves and foreign currencies to endure another full year of warfare

Iraq's gold reserves hit an all-time peak last Tuesday, Mr. Uajafi told an interviewer of Iraq's state television.

● Iran's revolutionary leader, Ayatollah Ruhollah Khomeini, yesterday issued a decree putting all matters related to the war with Iraq into the hands of the Supreme Defence Council, a body that oversees defence matters, according to Radio Tehran.

The radio, monitored by the BBC, said the council would co-ordinate all armed forces Agencies.

Ships crowd Aqaba with supplies for Baghdad

BY ROGER MATTHEWS

DOZENS OF ships crowded the small Jordanian port of Aqaba yesterday and lorries packed the quayside to maintain Iraq's only direct supply route from the outside world. Aqaba, normally noted as much for tourism as for strategic importance, has taken on growing significance for Iraq as the war with Iran drags on and its own port facilities in the Gulf suffer further damage.

King Hussein of Jordan, who has ordered the mobilisation of heavy transport vehicles to assist the movement of supplies from Aqaba, flew back to his capital Amman yesterday from Saudi Arabia, where he had been holding talks with King Khaleid.

The Jordanian monarch, is said to be alarmed by the duration of the fighting, and is anxious to avoid further splits developing in the Arab world. He is the only Arab leader to have pledged his total support for Iraq but must be fearful of the price his own country might have to pay.

The Jordanian Government yesterday issued a stern warning, against hoarding of basic foodstuffs and shopkeepers in Aqaba are already running short on items such as rice and sugar. Aqaba port normally handles about a third of its present traffic and shipments for Jordan are understood to have been given a lower priority to assist the Iraqis.

Apart from the congestion at Aqaba, many Jordanians are convinced that some supplies are being diverted from their country to Iraq. However, workers in the port explained that Iraqi refrigerated lorries, which were much in evidence, were being loaded with ammunition and artillery shells, rather than food.

There is no evidence that substantial military hardware is passing through Aqaba but army vehicles could be seen on the deck of one of the more than 35 ships waiting to unload. At the office of the Iraqi Transport Company, near the port, officials refused to discuss how many lorries were loading for Baghdad.

Jordanian officials in the town, while slightly anxious about the reasons for two new anti-aircraft gun emplacements which have been made near the port in the past fortnight, pointed to the important role that Iraq was playing in developing the area.

Apart from substantial direct financial aid, to the Jordanian Government, Iraq has agreed to invest some £54m in developing Aqaba port and industries and in building a new cross-desert road to Baghdad.

Iran will only consider the question of negotiations when Iraq has pulled back from Iranian territory and guaranteed an end to its interference in Iran's affairs, according to President Abol Hassan Bani-Sadr, Patrick Cockburn writes. The Iranian President said at the weekend that his country had enough spare parts for its weapons for the moment. He added that some new supplies were being received but would not comment on their source. In a reflection of the tougher Iranian attitude towards the U.S. diplomats held hostage in Iran, President Bani-Sadr said some new conditions for their release might be added.

Syria denounces Iraqi leader

BY OUR FOREIGN STAFF

SYRIA has launched its bitterest attacks yet on Iraq describing the Iraqi President, Mr. Saddam Hussein, as "a crazy fascist" in a television broadcast last night. It said that the Gulf war started by Iraq was "unjustified and serves only the interests of U.S. imperialism."

The growing hostility of Syria to Baghdad, fuelled by the severance of diplomatic links on the part of Iraq last week, will make it difficult for the Iraqi army to withdraw its units from the western border with Syria for dispatch to the eastern battlefields in Iran.

Although the conflict between the two Arab states, who last year attempted to end a decade of antagonism by declaring unity, are likely to remain rhetorical, Iraq cannot be absolutely sure that Syria will not take advantage of any setbacks President Saddam Hussein may suffer in the war.

Syrian officials have strongly denied that weapons from Syria have been sent to Iran and, while accusing President Hussein of treason, said "nothing will drag Syria into a marginal battle unless we are forced to."

The Syrian attitude is that any action against Iraq will only be in response to Iraqi provocation and for the moment officials rule out closure of the border, a significant road and rail link for Iraq.

A Syrian military delegation has stayed behind in Moscow, following last week's signature of a friendship treaty between Syria and the Soviet Union, to tie up the details of what could be a major new arms package for the regime of President Hafez al-Assad.

The Syrian delegation is headed by Lieutenant-General Mustapha Tlass, the Defence Minister, and 30 senior staff officers and is in Moscow, according to officials in Damascus, to "finalise military agreements."

Already facing internal dissidence, growing hostility from Jordan, and with part of its army tied down in Lebanon, the Syrian leadership has been extremely worried that Israel might launch an offensive into Lebanon which the Syrian armed forces would be unable to repulse.

Problems for experts, Page 4

Greece-UK coal and power deal likely soon

By Our Athens Correspondent

MR. JOHN NOTT, Britain's Secretary of State for Trade, is due to start two-day talks in Athens today which could lead to agreement on a deal involving construction of two coal-fired power stations and guaranteed supplies of coal and oil,

Mr. Nott, who will be following up an official visit to Athens last month by Mrs. Margaret Thatcher, Britain's Prime Minister, will also be discussing possible British military sales to Greece, and participation in a number of public works projects.

Under the power plant deal, it is suggested that Britain would sell to Greece two 350 MW coal-fired power stations at a price of about £150m, with the National Coal Board as guarantor of last resort for the supply of substantial quantities of coal each year.

The coal would be procured and delivered by a third party, with no restrictions on origin, but with a National Coal Board undertaking to meet any emergencies.

At the same time, Britain would undertake to supply North Sea oil.

Improved British proposals on guaranteed continuity of coal supplies, said to represent the final offer, were submitted to the Greek Ministry of Co-ordination in advance of Mr. Nott's visit.

Assuming fairly rapid completion of a contract, construction of the two power plants could begin next spring, with completion in just over four years.

Mr. Nott is also said to be interested in sounding out the Greeks on how they view their own prospects in the European Community after next January's proposed accession,

He will also hold talks on Anglo-Greek trade and public works projects in which Britain would like to participate. These include electrification and modernisation of the Greek rail network, port development, the new Athens international airport, the Athens metro, a petrochemicals complex in Missolonghi, and a Greece-Egypt underwater cable.

Australian election moves into the marginals

BY DAVID HOUSEGO AND PATRICIA NEWBY IN SYDNEY

THE closely-fought Australian General Election campaign yesterday moved into the outer suburbs of the major cities, whose votes will determine the outcome of next Saturday's poll.

Mr. Malcolm Fraser, the Prime Minister, rebounding from last week's shock that his Liberal coalition Government was running behind Mr. Bill Hayden's Labor Party in the opinion polls, spoke aggressively in the outer western districts of Sydney yesterday.

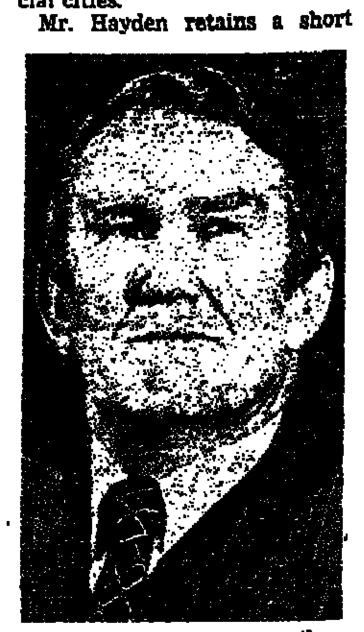
His theme was that a Labor victory would bring back the high inflation and ballooning Government expenditure of Mr. Gough Whitlam's 1972-75 Labor Administration.

Mr. Hayden campaigned in the marginal electorates of Melbourne, denouncing Mr. Fraser as "remote, indifferent, and careless of the problems of all Australians."

Labor's unexpected success so far has owed much to the unpopularity of Mr. Fraser which the election has revealed. Mr. Hayden has built on this, while projecting his own Labor Party as nurturing the interests of the average Australian family, with promises of tax cuts, a petrol price freeze, and improved social welfare.

Sydney and Melbourne between them account for 6m of the country's 14m population. Mr. Fraser cancelled a tour of Queensland this weekend to pitch for support in marginal seats of the two main commercial cities.

Mr. Hayden retains a short lead in the opinion polls, but the accepted wisdom is that the Liberal coalition will push past the post, ahead on Saturday.



Mr. Fraser: returns to the attack.

In that event, the risk to Mr. Fraser could still be that if the Liberal Party — traditionally ruthless to those who stumble—should decide that he is an electoral liability, there could be a move to oust him from the leadership before Australia's next election, due in three years' time.

Mr. Hayden came across as the more nimble and relaxed performer on a 60-minute nationwide television show last night, in which the two leaders were interviewed separately.

In a campaign largely fought on television and radio, the Labor Party's TV presentations have been more skilful in touching on urban disappointment that living standards have failed to rise in the way middle Australia has learned to expect.

The Liberal Party's presentations have been substantially revised for the last few days of the campaign, to play down the image of Mr. Fraser's strong personal leadership that had set their tone at the beginning.

In Sydney yesterday, Mr. Fraser tore into the Labour Party programme, as involving additional expenditure, which would require additional taxation, a larger budget deficit, and a further expansion of the money supply. "No wonder they will go to their old favourite of Mr. Whitlam's—the printing press," he declared, amidst cheers from a gathering of party stalwarts.

Opinion poll backing for Labor fuels stock market shakeout

BY JAMES FORTH IN SYDNEY

LAST WEEK was an extraordinary one for Australian share markets. In mid-week, investors suddenly panicked and dumped stock across the board. On Tuesday, the Sydney All-Ordinaries Index plunged 28 points, or 2.8 per cent, and on the following day, lost another 19 points to 949.80.

The severity of the shakeout brought in the bargain hunters and the market recouped much of the loss, closing on Friday at 976.73. There is little doubt that the sell-off was caused by a sudden realisation that the opposition Labor Party might win the national elections, to be held next Saturday.

But it is also important to note that the market had been rising strongly for weeks and was at a record high. Many believe it was poised for profit-taking, and that the polls only heightened the reaction.

Several opinion polls published by newspapers since the election campaign began, have pointed to the possibility of a Labor victory. But they were discounted by investors who remembered that a similar trend occurred in the previous election in 1977. Then, the Liberal-National Country Party coalition Government was re-elected with a near-record majority. On that occasion, the polls registered a swing back to the LNCP midway through the campaign.

This time, Labor was given virtually no chance of winning when the Prime Minister, Mr. Malcolm Fraser, called an early election. The early polls, however, showed surprisingly strong support for Labor, but investors, mindful of 1977, paid little heed.

By the middle of last week, when the latest polls continued not only to favour Labor, but point to a Labor victory, the panic button was pressed. The poll which proved the trigger was the Morgan Gallop Poll published in Mr. Kerry Packer's Bulletin magazine.

It showed that support for the ALP was running at about 50 per cent, probably enough to put it into office. Once it dawned on investors that Labor might win, the reaction was dramatic.

There are several reasons why the possibility of a Labor win depressed the market. For a start, the conservative LNCP coalition is generally considered pro-business. Moreover, Labor's previous record in Government from 1972 to 1975 resulted in high inflation and an economic recession.

Its currently espoused policies of increased Government spending and an expansion of the public service would hold little appeal for investors, because of the likelihood that it would push the inflation rate higher.

Labor has also indicated that it would introduce a resources tax and remove investment allowances for tax purposes, which could jeopardise several billion-dollar resource proposals.

Labor's policy to halt the mining and export of uranium also troubles investors, although many doubt that a Labor Government would try to enforce this.

Until last week, the market had been performing strongly, and the All Ordinaries Index appeared poised to break through the 1,000 barrier for the first time. The sell-off was across the board and hit market heavyweights and speculative stocks alike.

But sharebrokers reported that the selling came mainly from private investors. Local institutions and overseas investors adopted a more sanguine attitude, sitting on the sidelines.

After the two-day reversal, it was the overseas investors and local institutions which led the buying, apparently seeking bargains. The polls this weekend will determine whether the recovery continues. If Labor again polls strongly, the returning confidence will evaporate immediately.

There is a growing feeling that the Government's stock is improving—it has revamped its election tactics and is starting to concentrate on Labor's stated policies

E. German fees anger Schmidt

BY LESLIE COLITT IN BERLIN

WEST GERMANY'S Chancellor Helmut Schmidt yesterday accused East Germany of violating fundamentally its political relationship with West Germany by drastically increasing the entrance fees for West Germans and West Berliners visiting East Germany. The measure, which takes effect today, is expected to lead to a sharp decline in the number of Western visitors.

Speaking in West Berlin, Chancellor Schmidt said the East German leadership's had acted from "fear of unforeseen domestic consequences" resulting from detente. The East German move had severely strained relations between Bonn and East Berlin, he added.

East Germany is believed to have clamped down on Western visitors because their presence in large numbers was regarded as intolerable by the security-minded leadership which is deeply worried by the rise of an independent labour movement in neighbouring Poland.

West Berliners will be worse hit by the increased fees than West Germans as the entrance fes for East Berlin, where most have families, have been quadrupled. The price for visits to East Germany has been doubled. Nearly 3m visits were made by West Berliners to East Berlin and East Germany last year compared with about 5m visits by West Germans.

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OVERSEAS NEWS

A battle for the undecided majority

BY PATTI REALI, A NATIVE OF NEW JERSEY

TO MANY outsiders, New Jersey is that place with a motorway lined with fume-spilling oil refineries on the way to New York. In reality, it is closer to its other official name, the garden state, a mainly suburban, ethnic hodgepodge. But it is also, in terms of population, the ninth-largest state in the Union, and thus a prime target for the Presidential candidates as they struggle for the 17 electoral college votes New Jersey offers.

Less than a month before election day, less than half the voters in the state say they know who they want in the White House. New Jersey is known primarily as a Democratic state, with the governorship, both Senate seats and nine of 15 House of Representatives seats plus the state legislature in party hands. It has, however, gone Republican in the last three Presidential elections.

It has never been particularly kind to President Jimmy Carter, who lost Democratic primaries here in 1976 and 1980 and the Presidential election in 1976, getting 47.9 per cent of the vote to President Gerald Ford's 50.1 per cent.

This year, Mr. Ronald Reagan's New Jersey strategy is to lure disaffected Democrats from the ranks of the ethnic and traditional blue-collar vote who became Democrats in the Roosevelt years and who imbibe politics as they take their religion. Mr. Reagan kicked off his campaign proper last month in that bastion of Democratic politics, Hudson County. Shirt sleeves rolled up, the Statue of Liberty and the Manhattan skyline towering behind him, the Republican candidate celebrated the American worker and the immigrant (with the father of the Polish strike leader, Mr. Lech Walesa, at his side) by attacking Mr. Carter's record as "a litany of despair, broken promises, of sacred trusts abandoned and forgotten."

Mr. Reagan has cause for optimism still. A poll taken on October 1 by the Eagleton Institute of Politics at Rutgers University placed him one point ahead of Mr. Carter, 33 to 32. But the survey found that of the most likely voters Mr. Reagan's lead was 36 to 31 per cent. The independent candidate, Mr. John Anderson, got 22 and 21 per cent respectively by both measurements, with the balance undecided.

But Mr. Cliff Zukin, director of the poll, points to "an incredible amount of dissatisfaction with the choice of candidates." He found that, when asked if they were firm in their support for their preferences, fully half the Anderson contingent said they might change their minds, as did nearly a third of both the Carter and Reagan ranks. He estimated that as many as 45 per cent of the potential vote was still undecided which way to go, a staggeringly large figure so late in the race.

Mr. Reagan's strategy of going for the blue-collar vote may be working less well than he had hoped. Four years ago, Mr. Ford won 40 per cent of this sector, but an internal poll taken by the state AFL-CIO organisation of its members recently showed Mr. Carter's support running at about 75 per cent.

It is the suburban vote which, as elsewhere in the country, may be critical. Only about a tenth of New Jersey's 7.5m inhabitants live in big cities, giving the lie to the state's presumed reputation of being the epitome of downtrodden, industrial wasteland.

Typical of the suburban-urban dicotomy is Mercer County, centrally located across the Delaware River from Philadephia. It includes the state capital, Trenton, with a population of just under 100,000, a blue-collar town with many state government workers, at least half black and Hispanic. It has been traditionally Democratic for years, going for Mr. Hubert Humphrey in 1968 and Mr. Carter in 1976.

But the other 300,000-plus residents of the county live in its northern suburbs, including the affluent university community of Princeton, which also serves as a dormitory for New York City.

Since 1954 the county has sent to Washington as its congressman a leading liberal Democrat, Mr. Frank Thompson. The trouble is that Mr. Thompson has been indicted in the Abscan scandals and has a difficult time ahead, facing the electorate on November 4 and the jury 11 days later.

Such was Mr. Thompson's local reputation, not to mention his high standing in Congress, that nobody has yet tried to exploit his difficulties. Not even his Republican opponent has so far condemned him. But, as Mr. Jeff Laurenti, the Trenton Democratic Party chairman concedes: "We cannot go out and tell people to vote the Democratic Party line with a ticket headed by Frank Thompson." The local feeling is that Mr. Thompson will be returned on November 4, but his coat tails, dragging Mr. Carter with him, may be much shorter than usual.

Democrats still enjoy a number of advantages in the state. Registered party members outnumber Republicans by two to one. Realising the appeal in the state of the Kennedy name, the Carter strategists have drafted Mr. Jerry Doherty, a close associate of the Senator, to direct their campaign. Moderate Republican suburbanites, seeing Mr. Anderson faltering, may find Mr. Reagan's conservatism too much too stomach. The key probably lies in voter turnout and Mr. Richard Coffey, the state Democratic Party chairman, is convinced he can provide just that.

Reagan, Carter neck and neck

PRESIDENT CARTER and Mr. Ronald Reagan are running neck and neck in seven big states, according to regional surveys published yesterday, David Buchan reports from Washington.

The seven—Texas, Pennsylvania, Illinois, Ohio, New Jersey, Florida and Michigan—together provide 159 of the 270 electoral college votes needed for victory on November 4. A further imponderable shown by the surveys, published by the Washington Post, is that in each of these extremely close races Mr. John Anderson, the independent candidate, has support that is several times as large as the margin (3 per cent or less) separating the Democratic and Republican contenders.

The number of voters openly undecided ranges from 16 per cent in Texas to 27 per cent in New Jersey. But overall, 22 per cent of voters expressing a preference for one of the three candidates said they were "not at all strongly" behind their choice.

So, by the Post's polls, nearly 40 per cent of the electorate in these seven key states may be open to persuasion in the campaign's final three weeks. This confirms the striking feature of the 1980 election: never have so many Americans left it so late to make up their minds.

The Washington Post yesterday surveyed one other state, New York, which with 41 electoral votes has the second heaviest weighting after California. Its poll there gave Mr. Carter a 36 to 28 per cent lead over Mr. Reagan. But even that is not conclusive, because the survey also showed that no fewer than 54 per cent of American Jews, who count a lot in New York, are bewildered as to whom to vote for.

Meanwhile, the campaign fray has continued strong over the weekend, with a bevy of Reagan national security advisers accusing Dr. Harold Brown, the Defence Secretary, of "hiding the truth" about U.S. military readiness.

Their charges focused on a Defence Department directive, leaked to the Press last week, which told officers that Dr. Brown had "expressed concern that our current readiness report formats only emphasise the negative aspects of our military readiness." The Reagan camp is accusing the Carter Administration of again trying to conceal from the public and Congress the true state of defence disrepair.

The Republican candidate has also unleashed attacks on President Carter for stifling the U.S. economy with Government rules, calling the President "the biggest regulator in history." It is however, not a very plausible charge.

Prepare for next poll, Nkomo tells party

By Michael Holman in Chitungwiza

MR. JOSHUA NKOMO, Zimbabwe's Minister of Home Affairs, and leader of the Patriotic Front (PF), yesterday urged his party to set their sights on the country's next election.

In last February's independence poll, the PF won 20 of the 80 black Parliamentary seats with 57 going to ZANU-PF. The next General Election must be held within five years.

Talking to some 1,200 members of his Zipra guerrilla army who moved over the weekend from two assembly places in North West Zimbabwe to this bleak and dusty township 14 miles from the centre of Salisbury, Mr. Nkomo declared: "As long as democracy reigns, the Patriotic Front will win the next election."

Earlier, he told the cheering guerrillas, who will be expected to check in their arms whenever they leave the fenced compound, that the seven-year war had brought about "the people's rule."

But, he added, they should distinguish between "the people's rule" and the "people's rulers." "The people's rule has come to stay," said Mr. Nkomo, "but rulers come and go—our constitution says so."

In yesterday's speech, Mr. Nokomo moved deftly around some sensitive issues. He made a point of referring to "the comrades of Zanla."

Within two months, he said, Moscow-trained Zipra pilots would be flying MiG jets to Zimbabwe, but gave no further details.

Gandhi expected to make Cabinet changes soon

BY K. K. SHARMA IN NEW DELHI

INDIA's Prime Minister, Mrs. Indira Gandhi, is expected to make a number of changes in her Cabinet soon, and to take the opportunity to drop some of the Ministers for whose appointment her late son, Sanjay, was responsible.

The Cabinet changes are overdue, partly because at least five major portfolios — including Defence and Industry—have remained unfilled since she took power last January. Now another major post, that of Labour, has fallen vacant with the appointment of the incumbent, Mr. T. Anjaiah, as the Chief Minister of the southern state of Andhra, where he replaces a Sanjay supporter.

Policy changes as a result of new appointments to the Cabinet are unlikely, since the framework of the new Five-year Plan has recently been approved by the National Development Council, the country's supreme economic-decision-making body.

Better government is expected as more Ministers are appointed to vacant posts. In addition, Mrs. Gandhi is under pressure to drop other Ministers. There is a widespread feeling that the Home Minister, Mr. Zail Singh, should be changed, following a worsening in the law and order situation, caused by widespread sectarian riots.

Mrs. Gandhi has finally announced that her elder son, Rajiv, will not be entering politics. This presumably means he will continue with his career with Indian Airlines which employs him as a pilot. It also means that Mrs. Gandhi has given up her plans to give him Sanjay's place and therefore will not groom him as her successor.

Uganda sends reinforcements to border area

By John Worrall in Nairobi

UGANDA'S Government has claimed that two district capitals in the North-west of the country—Arua and Moyo—have been overrun by well-armed troops crossing the border from Zaire and Sudan.

Telephone lines to the area were down this weekend and there was no independent confirmation of the attacks, although it is known that thousands of troops loyal to Idi Amin fled across the border after their defeat. The invaders are said to have occupied the town of Koboko where Amin was born.

Army headquarters in Kampala says reinforcements have been sent and civilian lorries have been commandered to transport the troops.

Uganda's Foreign Minister, Mr. Otema Alimadi, has sent protest notes to Zaire and Sudan.

WORLD TRADE NEWS

A prolonged Iran-Iraq conflict will pose mounting problems in the supply of goods to the warring nations, **Patrick Cockburn** writes

Land links a poor alternative to Gulf ports

THE CAPACITY of Iran and Iraq to wage a prolonged war will be limited by the difficulty both sides have in routing their essential imports away from the battle zone. The two countries are heavily dependent on the Gulf ports and their only real alternative is use of the long overland routes.

Last year, for instance, Iran imported some 12m tons of goods, some two thirds of which came through Bandar Khomeini and Khorramshahr. Last July alone 176,000 tons were imported through Khorramshahr docks now held by Iraqi troops, while almost 500,000 tons came through Bandar Khomeini a little further to the east. If the road to this port is cut then Iran will have to make long-term plans to tranship more goods from Dubai to Bandar Abbas and its southern gulf ports. (The map shows pre-war entry points.)

For the moment at least the actual security of Bandar Khomeini is hardly relevant since insurance is prohibitively expensive for the war zone. In the rest of the Gulf the current minimum Lloyd's rate is 1.5 per cent on hulls—30 times what it was before the Iraqis attacked—and 0.5 per cent on cargo. Even if ships do dock in the small southern Iranian ports they are still a long way from Tehran, and it is doubtful if there are enough trucks with fuel to take goods to their destination.

The Iraqis have a similar problem. Last year 6.18m tons of imports came through their two southern ports of Basra and Umm Qasr. Both were heavily congested and Kuwait port was often used for transhipment. New routes will have to be found.

What alternatives are available? The Iranians can try to tranship cargoes from the other side of the Gulf, but this is an expensive business and bulk goods will be difficult to handle. Other routes can be used, but none offer anything like a total replacement. For instance goods could be brought through the Soviet Union via the Volga-Don canal system, and then across the Caspian to Bandar Enzeli on Iran's northern coast. Unfortunately for the Iranians this ceases to be possible as soon as the Russian winter freezes up

Nor is it feasible to bring goods overland from Pakistan, so the two overland routes left are via Soviet Union by road and rail or through Turkey. Congestion at the Julfa rail crossing from the Soviet Union limits capacity to about 150 wagons a day.

The railway from Turkey does not work well. Earlier this year its route was blocked by Kurdish guerrillas, but even without such difficulties goods have to be ferried across Lake Vann. The best route is, therefore, the overland road through Turkey via Bazargan. Turkish truck drivers are often no longer prepared to cross into Iran since a parking area full of their lorries was recently hit by an Iraqi bomb.

But the Bulgarians, who have some 5,000 trucks available, remain steadfast in their resolve to continue business with Iran. They have fuel stocks on the Turkish side of the border. Using belly tanks the return journey to Tehran can be done without fuel being picked up from inside the country.

Exporters to Iran, in any case, have no choice but to use the overland route since the Central Bank of Iran is not allowing letters of credit to be issued for goods to be imported through the Gulf.

The Bulgarians are also crucial in supplying Iraq, although here there are more options available. "For the British exporter there are no snags to either country, and the surcharges to either country are limited," says Mr. Philip Stephenson, director of Davies Turner which has wide experience of freight to both countries.

The alternative overland routes for the Iraqis run through Kuwait, although the Kuwaitis do not appear to want to see their port used as a replacement for Umm Qasr and Basra. Aqaba in Jordan can also be used although there is a long overland haul to Baghdad. The Jordanians have mobilised more of their trucks to get goods to Iraq.

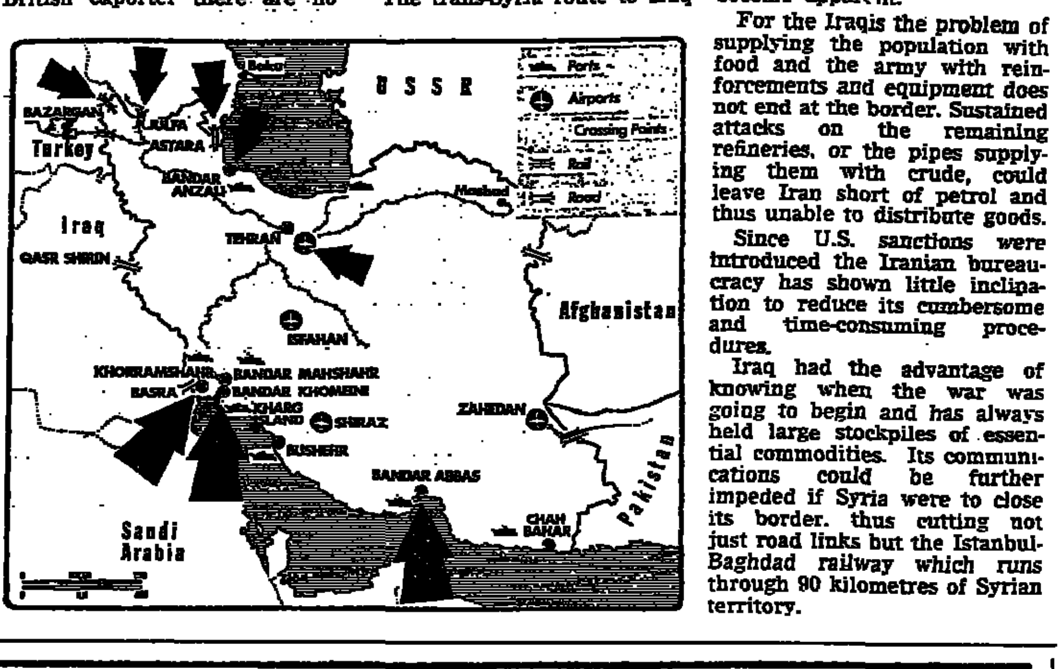
The trans-Syria route to Iraq from Latakia and Tartous has become increasingly popular over the past couple of years, with much of the traffic coming from the Greek port of Volos. The problem is that the Syrian ports are not very efficient and Volos was congested even before the war began.

For both Iran and Iraq the route through Turkey can best increase its capacity, but it will never be able to replace the Gulf ports. For the moment both sides appear to have sufficient stocks of food to manage for several months, but shortages of other bulk goods such as cement should soon become apparent.

For the Iraqis the problem of supplying the population with food and the army with reinforcements and equipment does not end at the border. Sustained attacks on the remaining refineries, or the pipes supplying them with crude, could leave Iran short of petrol and thus unable to distribute goods.

Since U.S. sanctions were introduced the Iranian bureaucracy has shown little inclination to reduce its cumbersome and time-consuming procedures.

Iraq had the advantage of knowing when the war was going to begin and has always held large stockpiles of essential commodities. Its communications could be further impeded if Syria were to close its border, thus cutting not just road links but the Istanbul-Baghdad railway which runs through 90 kilometres of Syrian territory.



THE GULF WAR

Exports of £700m stand in jeopardy

BRITISH COMPANIES which failed to win big construction contracts in Iran and Iraq in the years after the 1973 oil boom are now thanking their luck, but a long war between the two states will still endanger exports likely to have totalled over £700m this year.

The biggest UK contract now in danger is the sale of knocked down car kits from Talbot to Iran National. Despite bombing of the main Iranian assembly plant, production still continues, but it will clearly be impossible for Talbot to export any more kits until the Gulf ports reopen. In future exporters will have to depend on the overland routes if they wish to do any business at all.

A short war will corrode but not completely break business links between the UK and Baghdad and Tehran. What businessmen most fear is that the war will be prolonged leading to the same sort of insecurity which has bedevilled Lebanon.

Over the past two years British companies have increased the attention they pay to Iraq. As the world's second largest oil exporter with 13m population, Iraq had ambitious development plans and the money to pay for them. Nevertheless other European countries and Japan had too tight a hold on the market to be easily dislodged: competition was fierce; Japan dominated the market for construction contracts, closely followed by West Germany.

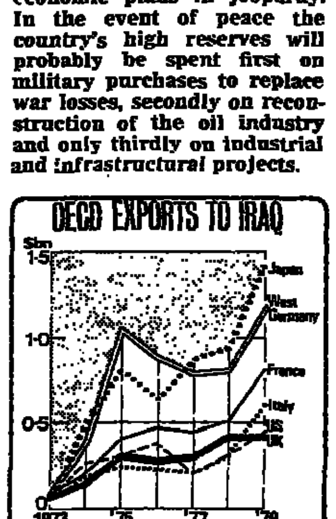
Yet no single exporting country could ever be sure of a contract in Iraq. The Government likes to spread its imports amongst a wide range of suppliers, sometimes linking this to oil purchases. Brazil, for instance, purchased some 500,000 b/d of oil but in return won a $1.2bn railway construction contract. Three years ago new orders from West Germany were embargoed because the Iraqis said the Germans were not purchasing enough oil.

The British suffered the additional disadvantage of a trade boycott in 1978 following the expulsion of Iraqi diplomats from London. Most of the orders won by UK companies were for less than £1m. Wimpey failed to win a big railway contract and, in August, Plessey complained vigorously that it had lost a £400m contract for electronics to the French because of a lack of sufficient Government backing.

The French Government has made a sustained effort to secure its position in Iraq. Dassault sold aircraft, and last year Fougerolle won the contract for the new Baghdad international airport. In the past six months the French have also won orders for diesel electric locomotives (£60m), a cement plant (£63m) and the construction of a number of electronics and telecommunications factories (£406m).

Such business will not be endangered by a short war, and air raids, however dramatic, have so far done little material damage, but a long conflict will put all Iraq's economic plans in jeopardy. In the event of peace the country's high reserves will probably be spent first on military purchases to replace war losses, secondly on reconstruction of the oil industry and only thirdly on industrial and infrastructural projects.

OECD EXPORTS TO IRAQ



SOURCE COMMITTEE FOR MIDDLE EAST TRADE

EEC drive pays off for UK shoemakers

BY PAUL CHEESERIGHT

UK FOOTWEAR exports this year are running 7 per cent ahead of last year as the industry, frozen out of traditional markets, has shifted more of its attention to the EEC.

Export sales in the first seven months of this year were 10.74m pairs, worth £73.5m, the British Footwear Manufacturers Federation said. Total exports in 1979 were 18.8m pairs, only slightly more than the 17.39m pairs sold in 1972.

But the small increase over the last eight years reflects a shifting pattern of trade, as quotas and tariffs have been placed to protect markets in both developed and developing countries.

UK sales to Canada, for example, fluctuated around 1m pairs between 1972 and 1977, but quotas held back exports to 500,000 pairs in 1979 and to 137,000 pairs in the first seven months of this year.

Sales to Nigeria dropped from 1.4m pairs in 1977 to 173,000 pairs last year.

The slack has been taken up by the EEC, the subject of a marketing drive, especially over the last three years. Sales in the first seven months of this year were 14 per cent higher than in the comparable period of last year at 6.4m pairs, the Footwear Manufacturers Federation said.

Last year sales were 11.03m pairs, against 4.87m in 1972, emphasising the change in the marketing drive. North America, earlier of major importance, is now afforded lower priority.

The Netherlands was chosen as the gateway to the EEC and is now the UK industry's biggest single market. Three years ago it was twelfth. Within the EEC it is followed by West Germany, but Italy is also a growing market.

The UK industry is scoring in Italy with its traditional reliance on mixed climate shoes of classical style, thus contrasting with the lighter style favoured by the Italian industry.

Hong Kong pushes up toy sales despite recession

BY PHILIP BOWRING IN HONG KONG

DESPITE RECESSION in major markets, Hong Kong's toy exports are continuing to boom, according to figures released during the sixth Hong Kong Toy and Gift Fair, which ended at the weekend. Hong Kong is the world's largest toy exporter.

Total exports of toys and games in the first seven months of the year increased by 33 per cent to HK$3.36bn (£281m), representing a rise in real terms of around 24 per cent. This follows a remarkable 54 per cent gain in exports in Hong Kong dollar terms in 1979, and puts toys back near the forefront of Hong Kong's growth industries after a period of relatively slow growth in the mid-1970s.

However, some trade officials are cautioning against over-optimism. They warn that a sharp slowing in export growth could emerge in the last five months of the year, which are the main shipment period.

And there is a suggestion that the boom in demand for electronic toys, which has particularly benefitted Hong Kong, may be waning.

The most remarkable fact about this year's continuing boom has been sales to the U.S. which accounts for nearly 50 per cent of total exports. Sales grew 33 per cent in the first seven months, in line with overall growth, despite the poor state of the U.S. economy. Hong Kong has about 40 per cent of the U.S. toy import market.

Recession has, however, had an impact in the second largest market, the UK. Sales in the period actually dropped 2 per cent to HK$241m and the UK share of Hong Kong exports fell to 7.2 per cent from 9.7 per cent.

Hong Kong's next largest toy markets, West Germany and Italy, however, showed 25 per cent and 30 per cent growth.

SHIPPING REPORT

Brokers look forward to dry cargo rates rise

BY OUR SHIPPING CORRESPONDENT

AS A general rule of thumb, wars tend to be a bull point for the world shipping industry. They tend to lead to stockpiling of goods and the disruption of established trade flows often leads to higher freight rates since more ships are needed to move the same amount of cargo.

However, the current conflict between Iraq and Iran has not been good for the world shipping industry. Bunker prices have been rising, which hits shipowners' margins, whilst freight rates in the oil markets have collapsed and in the dry cargo markets, rates have certainly softened.

Denholm Coates reports that rates in the East have been easing over the past week but, because owners are not keen to send their ships into the weaker Far Eastern freight market, rates for voyages out to the East from the U.S. Gulf have been hardening by up to $1 or so.

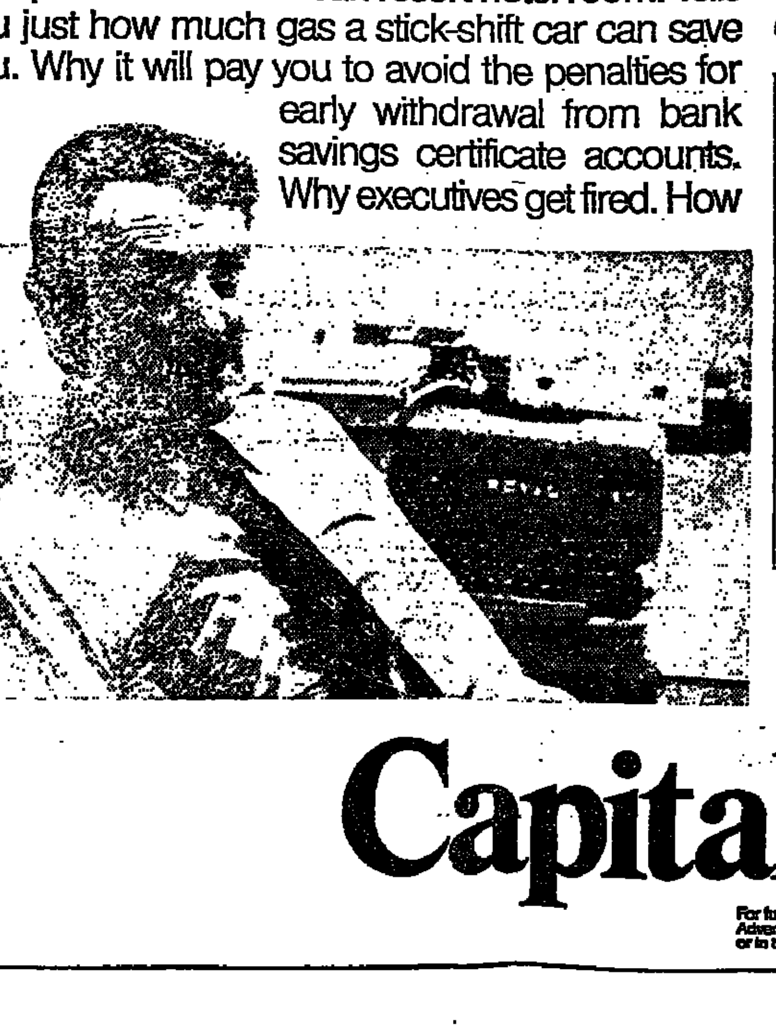
However, looking slightly further ahead, brokers are optimistic that dry cargo rates, at least, will strengthen.

World Economic Indicators

RETAIL PRICES

	Aug. '80	July '80	June '80	Aug. '79	% change over previous year	Index base year
W. Germany	122.7	122.6	122.4	116.4	5.4	1975=100
France	167.5	165.8	163.4	147.4	13.6	1975=100
Holland	135.8	135.3	134.5	126.6	7.3	1975=100
Belgium	136.6	136.3	134.7	128.5	6.3	1975=100
U.K.	199.2	198.7	197.1	171.3	16.3	1975=100
Italy	215.2	213.3	209.7	177.0	21.6	1975=100
U.S.	154.7	153.5	153.6	137.1	12.8	1975=100
Japan	137.9	138.1	137.8	126.9	8.6	1975=100

Source (all countries except Japan): Eurostats



Costs dispute leads to delay in building oil-loading buoy

BY MARTIN DICKSON, ENERGY CORRESPONDENT

A DISPUTE over construction costs is likely to delay by a year the completion of an important piece of equipment—a loading buoy—for the large Anglo-Norwegian Statfjord oil field.

The buoy, to be used to load oil onto tankers from the Statfjords field's B platform, was being built by Aker, the Norwegian shipbuilding group. But the company suspended work on the project in August because of a dispute with the group of oil companies developing Statfjord.

Aker demanded Kr 118m (£10.2m) in addition to the contract sum of Kr 220m (£19m), arguing that the job had turned out more costly than expected because of the welding standards demanded by the Statfjord group. The oil companies refused to pay. Aker has since decided not to complete the buoy.

Statoil, the Norwegian state oil company and largest shareholder in the field, said at the weekend that the group had been looking at other yards which might complete the work. The contract might be awarded outside Norway.

The buoy was due for completion next summer but now seems unlikely to be delivered before 1982. However, this need not delay the start of production from the B platform, which is due to come on stream in late 1982.

The Statfjord field, the largest discovered in the North Sea, began production late last year from its A platform. The Statfjord group decided earlier this year to build a third platform—C—to exploit the field, with production starting from that field in 1986 or 1987.

'Calamitous battles' of journalists' union

FINANCIAL TIMES REPORTER

THE NATIONAL Union of Journalists appeared to have abandoned the rights and interests of individual members "in favour of a series of calamitous battles fought on the wrong issue at the wrong time," Mr. Nicholas Herbert, editorial director of Westminster Press, told the Guild of British Newspaper Editors yesterday.

Mr. Herbert, who was elected president of the guild at its annual meeting in Stratford-upon-Avon, said that he found it difficult to be particularly optimistic on the union front.

The industry could do with a strong, sensible journalists' trade union which would bargain hard, embrace new technology on appropriate terms and respect the need for its members to be nonconformist and independent. But the NUJ had a "narrow, political, ineffective leadership" which allowed various pressure groups, speaking in its name, to act unreasonably.

Mr. Herbert said that attempts to impose upon journalists "the totalitarian concept of the closed shop" would require the continued and implacable opposition of editors. "Here the Government's new law and draft code of conduct may be helpful but we should recognise that the determination of employers to support the rights of individual journalists is the best safeguard."

Mr. Herbert also said the newspaper industry is "appallingly complacent" about the declining quality of service it gives its customers.

Protest to Brussels over enforced participation

AN Institute of Directors delegation from Britain will meet Vicomte Etienne d'Avignon, Common Market Industrial Commissioner, at EEC headquarters in Brussels today to discuss two EEC directives which the IOD strongly opposes.

The two are the Fifth Directive, which recommends compulsory structures for worker participation in larger UK companies, and the Vredeling Draft Directive, which proposes wider disclosure of information to, and consultation with, workers by multinational companies and national companies with as few as 100 employees.

The IOD delegation will comprise Mr. Walter Goldsmith, the Institute's director-general, Mr. John Jackson, director of Philips Industries and a member of the IOD company affairs committee, and Mr. Andrew Hutchinson, IOD principal research executive.

Mr. Goldsmith commented: "It is important that the commissioner understands the great concern, and what we believe is strong and growing opposition to the implementation of the EEC Fifth Directive in the UK.

"Our members are making great voluntary efforts to improve communication, consultation and participation with their work forces. But they are totally opposed to the imposition of works councils or any other formalised structures within their companies."

Mr. Goldsmith said: "We also intend to express our concern about the Vredeling proposals. As on the Fifth Directive, voluntary initiatives by companies on disclosure of information to employees is infinitely preferable to enforced legislation.

Aerospace trade surplus cut by higher jet imports

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UK aerospace industry earned a surplus of £27.8m on its balaance of payments during the first seven months of this year. Exports totalled £976.7m and imports just under £949m.

Although the industry's export performance continued at record levels for the first seven months, it was substantially offset by continued high imports of transport aircraft from the U.S. to meet the needs of UK airlines. This is a trend likely to continue.

During the period, there were further imports of McDonnell Douglas DC-10 and Boeing 747 jet airliners to meet the needs of British Caledonian, Laker and British Airways respectively. There were also further imports of short-haul Boeing 737 jets for airlines such as Britannia, Air Europe and Orion.

Total imports of complete aircraft amounted to more than £391m, while exports of complete aircraft from the UK (including BAe 748 turbo-jets and BAe 125 executive jets) amounted to about £113.6m.

The engine side of the aerospace industry showed a much brighter picture. Total exports of aero-engine and parts, and of refurbished engines amounted to more than £415m.

Imports amounted to nearly £303m.

Policyholders' Protection Act opposed by insurers

BY ERIC SHORT

THE British Insurance Association is still opposed in principle to the Policyholders' Protection Act, 1975, and can see no justification for extending or broadening its scope.

If an insurance company runs into financial trouble so that it cannot meet in full its liabilities, then individual policyholders, under this Act, have their insurance contracts protected for at least 90 per cent of the contractual benefits. The cost of such rescue operations is borne by a levy on other insurance companies.

The implementation of the Act is under the control of the Policyholders' Protection Board. Since 1975 the board has operated a rescue scheme for the policyholders in the life company, Capital Annuities, and has underwritten the rescue scheme for another life company, Fidelity Life.

It could soon become involved with Underwriters National Assurance Company, against which a compulsory winding-up order has been served.

The Act requires a report of its workings for the first five years and the Department of Trade has invited comments from interested organisations.

The BIA, in its evidence, considers that the Act in principle weakens the responsibility of policyholders from selecting due care in choosing an insurance company, weakens the responsibility of insurance companies from prudent underwriting and weakens the DoT in performing its supervisory role.

Catering 'crusade' envisages 1m jobs

Financial Times Reporter

THE BRITISH catering industry could employ 1m more people, and so halve unemployment, says M. Jean Conil, the chef.

M. Conil, gold medallist and author of 18 gastronomy books, calls in a letter to Mrs. Margaret Thatcher, the Prime Minister, for:

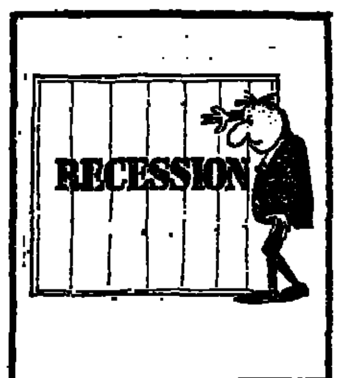
- a return to tax relief on business entertainment;
- a tax allowance or free meals for workers;
- luncheon vouchers worth "at least £1.50"; and
- a better deal for the catering trade.

M. Conil pleads for a revitalised hotel and catering industry to boost the tourist trade and create "perhaps a million new jobs," and says he is trying to launch "a crusade to attract the school-leaving teenagers who may not be aware of the glamour and charisma which surrounds the position of chef or Cordon Bleu cook."

The industry had "an awful reputation" which the Government must help to improve. There was no proper scale of payment for chefs, cooks and other skilled workers. Wages, which ranged from £80 to £100 a week, were far too low.

Sector leader GKN, also Britain's biggest private steel maker, is shifting its gaze abroad. **Hazel Duffy** spells out the reasons.

Engineering an escape route



WRESTLING WITH RECESSION

Profits to Dec. 31 1979	£101.4m
Half year to June 30 1980	£22.4m
Sales 1979	£1.961bn
Sales half year	£1.067bn
Exports 1979	£292.8m
Employees	104,324
of which in UK	69,115
Capital employed 1979	£1.050bn

IF THERE ever were any doubts about the severity of this recession, they were dispelled when GKN announced interim profits which were less than half those of a year before.

The fact that the UK's largest engineering group made no profit on its home market operations came as a major shock. And the City feared that the dividend cut would be a signal which smaller companies would follow.

The first half of 1980 will be followed by an even worse second half, particularly after the company has charged for redundancy and closure costs. But Mr. Trevor Holdsworth, GKN chairman, is not one of the angry industrialists who are calling on the Government for special consideration.

GKN is a major contributor to Conservative Party funds—last year more than £30,000 went to the party and allied organisations—and Mr. Holdsworth continues to believe that the Government needs three years to make its strategy work.

He agrees, however, that the effects of the recession are uneven, and expects that "some worthwhile companies, which are not in high technology, will go to the wall." He also argues that the Government should allow interest rates to come down—GKN's short-term borrowings totalled £168.5m at the end of 1979, and will be higher by the end of this year.

Each one per cent drop in interest rates cuts about £1m off the group's interest payments.

GKN has for some years been concentrating on growth areas, and its policy is to withdraw from or at least run down those activities where it is increasingly difficult to make a reasonable return.

At the same time, the group is committed to expansion overseas, particularly in motor components.

The value of the policy was demonstrated in the first half of this year, when almost all its £22.4m pre-tax profit came from overseas operations.

Mr. Holdsworth says the recession has not deflected GKN from this course. The company has speeded up the closure and slimming down of certain British operations and all major investment plans were reviewed. UK investment projects—currently running at £60m to £70m annually—will all survive but some slowing down seems likely.

Overseas, investment will go ahead as planned. A second U.S. plant to make constant velocity joints (a vital component for front-wheel drive cars) is going ahead and a new factory is planned in France.

The successful outcome of GKN's development work on the constant velocity joint during the 1970s has underlined the importance of spending on research and development.

All development work which is sanctioned centrally will therefore go ahead, but again there is the possibility that some cuts will be made on a divisional basis.

Mr. Holdsworth predicts that industry will continue to reduce stocks until the second quarter of next year, but by then the worst may be over.

"I think we are in the eye of the hurricane now, and that by the middle of next year we shall be on an improving trend," he says.

The difference between this and earlier concessions, however, is that the recovery for many customer companies will not be all that they had hoped. GKN, for instance, has become used to living with an ailing British motor industry.

But this recession has also brought a slump in demand for components from, for example, the tractor manufacturers.

The company is worried that the multinationals which dominate this industry in the UK will shift their manufacture to countries where costs are lower.

Poor productivity, in Mr. Holdsworth's view, is much more the key to the problems of British manufacturing industry problems than the high exchange rate (although he acknowledges this is less so for continuous process industries). He believes that industry has to learn to live with exchange rate movements—both up and down—"although I can point to many examples of where business would have been better in the short term if the pound had been lower."

GKN expects to have shed 10,000 of its UK workforce by the end of the year, as part of the rationalisation of its operations. This has been going on for several years, but its pace has quickened since the recession's onset. GKN is the biggest steel producer in the private sector, and discussions are being held with the British Steel Corporation on the possibility of joint ventures in certain products which might lead to further slimming down.

Mr. Holdsworth agrees that the recession has, in some ways, presented industry with "an opportunity to do something about its lack of productivity." He believes that the current problems of manufacturing industry were inevitable given that the country has been paying out more than it has been earning.

But recession on the present scale is far from the best weapon for dealing with fundamental weaknesses. GKN has made skilled workers redundant, in spite of the fact that it will probably need them when demand picks up. At the same time, apprentice intake is probably being cut back (although Mr. Holdsworth adds that this is not a central directive to all divisions).

"Industry is therefore running a very great risk that skilled people will not be available in the right numbers after the recession," he says.

GKN is large enough to weather this recession, and even to derive some benefit from it. Its huge redundancy programme, however, will leave a gap in parts of the West Midlands which will take long to fill.

UK NEWS

Datsun dealers in quota protest

BY JOHN GRIFFITHS

BRITISH DATSUN dealers, after "unsatisfactory" talks with Datsun UK, have lodged protests in Tokyo against what they claim is the failure of other importers of Japanese vehicles to stick to the Society of Motor Manufacturers and Traders' informal marketing agreement with its Japanese counterpart, Jama.

Telegrams to Jama, the Japanese Ministry of Trade and Industry and Nissan (which makes Datsuns) claim that while each importer "has been allocated a precise number of cars to ensure that the market is not exceeded by the year end"—a reference to the agreed "prudent" Japanese market share of 11 per cent—"it appears that other Japanese importers do not appear to be subject to restrictions."

The dealers complain that they are being held rigidly to the agreement and will be on target for Datsun's agreed share of about 6 per cent but that other importers have already exceeded their quotas.

They base their claim on the following figures:

Datsun sold 102,395 cars in the UK last year, when the total market was 1.71m units. This year, with the market forecast at 1.51m units, it is allowed to sell 95,500 cars. To date it has sold about 85,000.

Toyota's sales last year of 32,220, using the same formula, would allow it to sell about 29,000 cars this year. So far it has sold 30,765. Honda last year sold 17,847 and in the year to date has sold 21,345.

On paper, Honda has therefore made by far the biggest gain. But a spokesman dismissed the Datsun claims as "rubbish."

He said that Honda has "slashed" its supplies for the rest of the year and dealers would each get an average 1¼ cars per week. "That means that some of them are going to go to the wall."

Honda's sales last year were artificially depressed by a homologation (certification) problem which meant that 4,000 cars which should have gone to customers at the end of last year did not reach them until the New Year. This year's sales figure has therefore been inflated by the same amount.

PSBR rise forecast

BY DAVID MARSH

THE PUBLIC sector borrowing requirement is expected to exceed the official target of £8.5bn by at least £1bn in the absence of further Government measures, the Henley Centre for Forecasting says in its latest report on the economy.

The expected overshooting is in spite of the likely drop in borrowing in the second half of the financial year.

However, the Centre foresees that the rate of growth of the Government's key monetary benchmark, the sterling M3 measure of the money supply, will fall to only 9 per cent by the end of next year. The inflation rate will also ease significantly to below 12 per cent by next summer.

The centre's forecasts for the UK economy have become more pessimistic since its last outlook was published. Manufacturing industry output is expected to fall by over 7 per cent this year and by a further 2 per cent in 1981.

Agency to curb media sexism planned

Financial Times Reporter

A NATIONAL agency to monitor the images of women presented by the media was planned at the weekend. Women attending a conference in Edinburgh deplored the juxtaposition of semi-nudes with reports of sexual offences like rape.

Ms Julie Davidson a newspaper columnist, said: "The National Union of Journalists, despite having a code of conduct which prohibits sexism, finds it difficult—if not impossible—to enforce." An agency was needed, with which the public could lodge complaints.

● AWAY DAYS: Eight per cent more Britons went abroad in July this year than in the same month last year, according to Department of Trade figures. Nearly 2m people spent £300m overseas, while 1.69m foreign visitors spent £405m in the UK.

● EARLY WARNING: A statutory system of public notice is needed to prevent farmers from destroying valuable features of the British countryside under the pretext of improving their land, says Mr. Christopher Hall, the retiring chairman of the Council for the Protection of Rural England.

● FREE TRADE: The code of the Royal Institute of British Architects will be eased from January to permit trading by members in land or buildings, or as a property developer, auctioneer, estate agent or contractor, sub-contractor, manufacturer or supplier to the construction industry.

Pound to 'maintain level until spring'

BY DAVID MARSH

THE POUND is likely to remain very strong for at least the next six months. It could even rise further from its present high levels if oil supplies tighten signficantly as a result of the Iran-Iraq conflict, according to latest projections by a range of currency forecasting services.

The Henley Centre for Forecasting, in its monthly report on the UK economy out today, says that sterling is likely to remain at around its present 5½ year high levels of $2.35 to $2.40 for another six months. The centre reckons it will probably weaken after that. However, the average year-on-year depreciation next year will be only about 4 per cent.

The Forex Research group predicts that sterling will suffer no major weakness during the next 12 months in spite of an expected drop in interest rates.

The pound's buoyancy partly reflects Britain's improved current account which is expected to stay in rough balance for the next 12 months due to the recession-induced drop in imports.

However, Forex Research points out that the pound could face severe problems in the long run as a result of the weakening competitiveness of UK manufacturers.

Maxwell Stamp, another forecasting group, expects the pound to stay firm until the spring. Although UK interest rates will come down, they will still be attractive compared with those on other major currencies.

Further significant sterling appreciation would be unlikely unless there is a major oil crisis. As UK interest rates come down next summer, the group expects the pound to decline to just above $2.20 by autumn 1981.

● A warning that the Government must not decide a cut in Minimum Lending Rate on the basis of last month's improvement in money supply figures has been made by two leading stockbroking firms.

Buckmaster and Moore says that the slowdown in monetary growth last month, shown by the preliminary figures for sterling M3, was "welcome." But the statistics provided no evidence that monetary growth was under control. Because money supply was still rising well above target, a quick MLR cut would not be justified.

A report by L. Messel points out that the good September figures were only to be expected, given last month's heavy payments of petroleum revenue tax.

"For clear confirmation of a slackening of monetary growth we must await the October statistics," it adds.

Midland Bank customers face increased charges

BY MICHAEL LAFFERTY

MIDLAND BANK is to introduce a system of quarterly charging for loan and overdraft interest from next March. The bank says it is the last of the big clearers to change over from half-quarterly debiting of interest.

The effect of the move is that Midland customers will be paying more for their borrowings than up to now. They are being informed of the new system by letter.

In these letters, Midland is pointing out that quarterly charging makes budgeting easier for customers.

Thousands 'put at risk by nuclear waste trains'

THE MOVEMENT of radioactive waste through London is putting thousands of lives at risk, says the Ecology Party.

Up to 6,000 Londoners would die of long-term malignant cancer if there was an accident involving one of the spent fuel flasks, it warns in a report today.

Introducing the report in London, Dr. Charles Wakstein, an expert in nuclear engineering, said one two-ton flask contains the equivalent radioactive "fall-out" of five Hiroshima bombs.

In some weeks, three of these flasks are transported by rail through London en route to Windscale in Cumbria he said.

The report, "Carrying the Can," condemns the lack of information available to the public about the movement of spent nuclear fuel.

It suggests an alternative route to avoid London and calls for further research into the safety of the flasks and a reduction in the amount carried in each.

Lower wage deals 'vital' for hauliers

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

BRITAIN'S hauliers "desperately need" wage settlements for lorry drivers to be in single figures in the next pay round, Mr. David White, group managing director of British Road Services, one of Britain's largest haulage operators, said at the weekend.

A single-figure settlement was "absolutely vital" for the survival of the haulage industry.

Haulage companies in Britain had already lost 20 per cent of their business in the last 12 months as a result of the recession, Mr. Ken Rogers, chairman of the Road Haulage Association, said earlier this month.

He said that liquidations, bankruptcies and fleet reductions had increased over the period at a "most alarming rate."

Demands by lorry-driver members of the Transport and General Workers' Union in January last year for 20 per cent wage rises led to the prolonged strike which crippled trade and much of industrial activity.

Most wage talks in the haulage industry come to a head at the beginning of each year.

"If wage settlements are in double figures this time, redundancies are inevitable," Mr. White said.

British Road Services up to now has been the most successful part of the state-owned National Freight Company which the Government wants to de-nationalise under the 1980 Transport Act. BRS has successfully diversified away from general haulage into more lucrative specialised areas such as contract hire.

However, the timing of the proposed sale of shares to the private sector is dependent on an improvement in the trading climate.

BRS generated receipts of over £150m last year and made a trading profit of £10.3m.

But this success has not totally insulated it from the effects of the recession. Decline in business in the last 12 months forced it to make 1,000 of its 8,000 staff redundant.

More staff may be laid off as trading declines further.

At the end of the first half of the year in June, British Road Services was 25 per cent down on its forecast budgeted revenue for the period. The group's performance was "still falling," Mr. White said.

The recession had also forced the group to cut its planned capital spending on new vehicles by 40 per cent this year.

Trustworthiness and expertise are security printers' assets

Gareth Griffiths reports on an industry which inflation assists

SECURITY printing of bank notes and travellers cheques is booming in the UK in sharp contrast to the declining fortunes of most of the general printing industry.

The opening this week of an £8m factory in Saltash, Cornwall, by Bradbury Wilkinson the security printers, indicated the strength of that demand fuelled by worldwide inflation and the growth in economic wealth of many Third World countries.

Security printing covers the production of promissory notes such as bank notes, travellers cheques, bonds and postal orders. It is a field in which British expertise has remained predominant. The industry is dominated by two companies, the De La Rue group and Bradbury Wilkinson, a subsidiary of the American-owned International Banknote.

Both companies date from the 19th century but bank note production received its first main stimulus after World War One as countries went off the Gold Standard. The real boom started when colonial empires were wound up in the 1950s and 1960s, a separate currency becoming one of the first prerequisites for newly independent countries.

The result is that today both companies each deal with about 60 countries although Bradbury Wilkinson has the smaller market share. A tradition has been established that the two companies offer total trustworthiness, design services, technical advice and reliable delivery dates.

Confidentiality is regarded as important and the companies are reluctant to give the names of the individual countries they deal with. The majority are in Africa and the Middle East although some of the smaller European states contract out their currency printing.

Competition between De La Rue and Bradbury Wilkinson is intense, with both maintaining worldwide teams of salesmen and competitiveness being based on price, quality, design and service. Technical co-operation does not generally take place although recently the industry came together over ways of combating the colour photocopiers marketed by the office equipment manufacturers. Special colouring tones and security embellishments on notes and cheques now make it impossible for a note to be photocopied properly.

Mr. John Field, the chairman and managing director of Bradbury Wilkinson, defines the aim of security printing as making life as difficult as possible for the forger. The technical processes and the care taken in the printing of bank notes and promissory notes therefore operate at a different level from the rest of the printing industry.

Security printers normally work on a yearly timetable from the time an order is sought to its delivery to a central bank. Designers can produce the front and back designs of a bank note in two weeks and themes vary.

Portraits of heads of state are banned under Islamic law so most Middle Eastern countries now opt for development themes on their notes. The engravings of the design onto steel dies is probably the most skilled operation in security printing, and no single engraver is responsible for a bank note for security reasons.

The printing of the notes from the die is done on paper that has an anti-photographic, multi-coloured background and is done with an intaglio steel plate; the notes have an embossed effect.

The checking of the notes is still done by human eye. The industry is capital intensive with individual machines costing up to £1½m. About 7,000 notes per hour can be printed.

Both De La Rue and Bradbury Wilkinson have improved productivity recently partly to offset the adverse effects on their prices of the rising pound.

Both companies are very dependent on export markets: De La Rue says its exports about 90 per cent of its promissory notes and Bradbury Wilkinson about 85 per cent. Bradbury Wilkinson produce about 2bn bank notes and travellers cheques a year with a face value of tens of billions of pounds at their plants at New Malden, Surrey and Saltash, Cornwall. De La Rue does not issue figures on its production although it is ahead of Bradbury Wilkinson. In the cheque sector Bradbury has a strong lead.

Mr. Field is optimistic about the future of the security printing industry, believing that on average political developments every three years in a country lead to a change in currency demands. Inflation could lead to a greater need for higher value currency or demonetarisation, political changes could mean new portraits for example.

Most currency orders however are due to the relatively short life of bank notes. This averages out at six months although higher value notes tend to have longer usage. The climate can also have an effect; humidity can shorten the life of a note in Third World countries where cash is the only means of exchange and where credit cards and bank transfers are not common.

Recently several continental security printers have entered the market although both British companies discount their competition. The continental printers have the advantage of being backed by secure orders to print their own national currencies. The Bank of England prints bank notes for England and Wales although both De La Rue and Bradbury Wilkinson have orders from Scotland, Northern Ireland, the Isle of Man and Jersey.

Turnover of both companies has grown impressively in the security printing sector. Turnover this year for Bradbury Wilkinson is expected to be between £45m and £50m compared to £13m five years ago. Bradbury Wilkinson employs about 2,000 people and De La Rue about 1,800 people on its UK security printing side. Order books are full for at least six months ahead.

Countries that have set up their own printing operations have often run into severe problems. Pakistan's attempt to gain a share of the world market for example have generally failed.

While security printing is booming, fraud and forgeries in London at least are declining sharply. Scotland Yard figures show a decline in forgeries of notes and cheques to 1,600 cases a year, most of which were dealt with on the spot.

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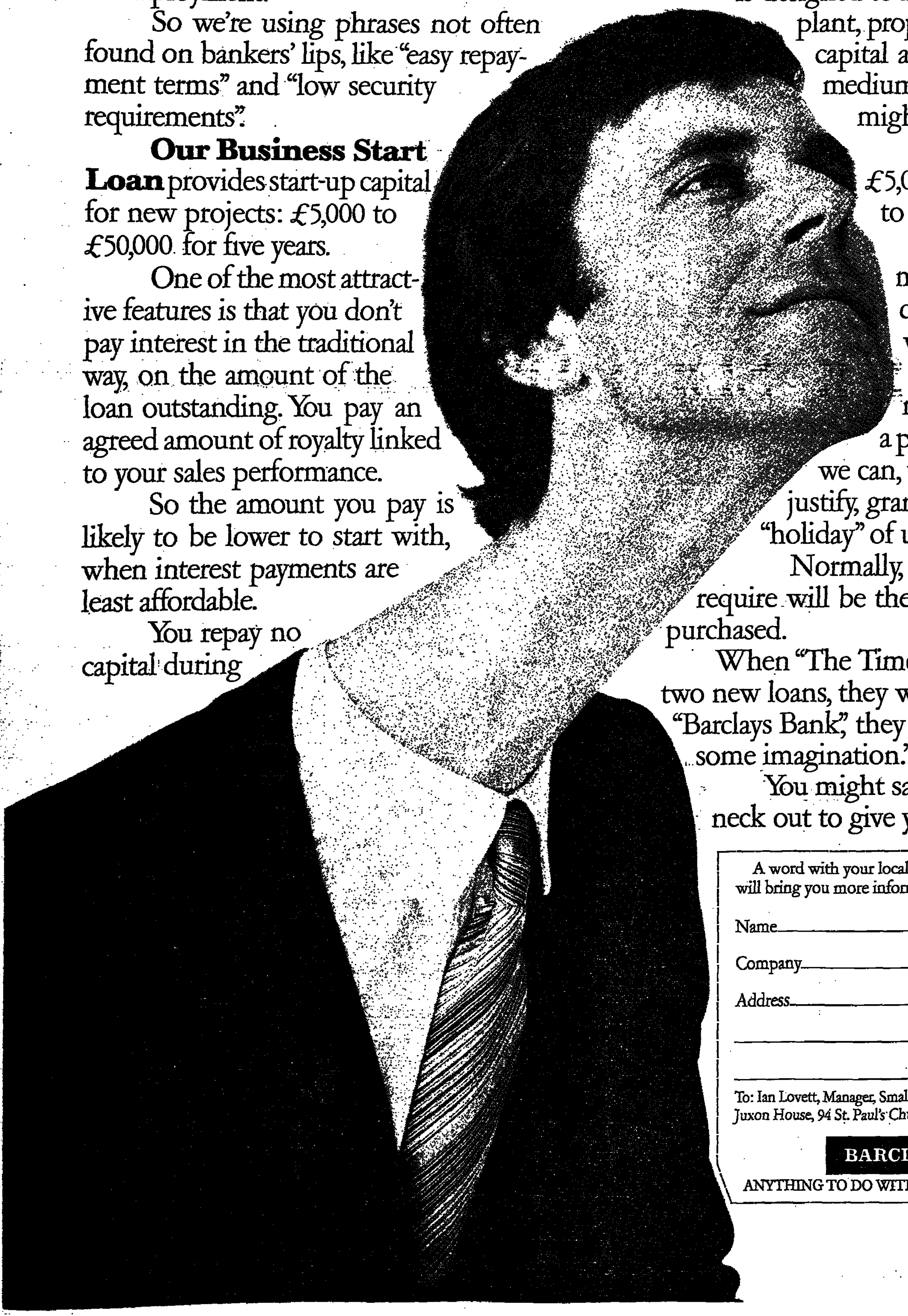

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UK NEWS – LABOUR

Shipbuilding, engineering unions may be offered 8%

BY JOHN LLOYD, LABOUR CORRESPONDENT

AN IMPROVED pay offer of about 8 per cent is likely to be made to the Confederation of Shipbuilding and Engineering Unions by the country's engineering employers today.

The feeling among engineering union leaders yesterday was that this offer, while less than half of the unions' claim of 18.5 per cent, would be accepted by the CSEU as a basis for recommendation to the various unions in the confederation.

Last month, the Engineering Employers Federation offered 6.2 per cent, which indicated could be improved only marginally. That was rejected by the CSEU.

However, Mr. Terry Duffy, president of the largest union in the confederation, the 1.2m-strong engineering section of the Amalgamated Union of Engineering Workers, had said then that the unions "were not in an aggressive mood."

It was apparent over the weekend that this mood had not changed, and that the unions had recognised at least part of the employers' case that many companies could not afford even a single-figure pay rise.

Last year, the employers' federation conceded a 20 per cent pay rise to the 2m engineering workers, after a ten-week strike. At last month's meeting it told the unions that demand for the industry's products had fallen "significantly"

One union leader said yesterday that today's negotiations would mark "the end of the road" on this round of talks, and that the unions would have to make up their minds on the basis of today's offer.

The national minimum pay for a skilled worker in the engineering industry is £73, while that for an unskilled worker is £52.50. Average rates, which include the effects of local agreements and overtime, are £98.50 for skilled workers and £72.80 for unskilled workers.

BSC says no new steel cut planned

By Our Labour Correspondent

BRITISH STEEL Corporation has no plan for further closures and redundancies, Mr. Ian MacGregor, BSC chairman, has told Mr. Bill Sirs, leader of the Iron and Steel Trades Confederation, the industry's largest union.

The meeting, on Friday night, followed reports that Mr. MacGregor would shortly present the Government with a new corporate plan containing the option to cut capacity from 15m tonnes to 12m tonnes, with the loss of 25,000 jobs on top of the 52,000 jobs which BSC is losing this year.

Mr. Sirs said yesterday: "Mr. MacGregor stressed that he still had a completely open mind as to the future shape of BSC, and will ask the Government for more time to consider other plans, including those submitted by the ISTC.

"He reassured me that the unions would be fully consulted before any report or plan was submitted to Sir Keith Joseph (the Industry Secretary)."

Union officials believe that further sharp cuts in capacity and the workforce are options being discussed by senior management in BSC and that these are now being pressed on Mr. MacGregor.

The chairman has told the unions that he is spending much of his time trying to drum up extra orders for BSC from U.S. and European companies and that the future capacity of the corporation will to a large extent depend on his success.

However, it is believed that the "worst case" options considered by senior management include a reduction of capacity to as low as 8m liquid tonnes a year, because of continuing slump in demand.

Boilermen at Vickers back today

By Our Labour Staff

BOILERMAKERS AT Vickers Shipbuilders in Barrow, part of British Shipbuilders, return to work today after a 12-week strike.

A mass meeting on Saturday of the 1,300 boilermakers, whose dispute centred on a demand for special payments to be made to all, voted overwhelmingly for a return to work following the agreement of a peace formula between the Boilermakers Society and British Shipbuilders last week.

Talks are to begin immediately on a revised productivity scheme.

Teacher training

TEACHERS ARE paying a total of £50m a year out of their own pockets for job training, according to the country's second largest teaching union, the National Association of Teachers/Union of Women Teachers.

A union policy document has charged local education authorities with providing an inadequate system of in-service training, and has called on the Government to allocate training grants to the authorities.

Rescue call

A MASS meeting of workers from the Tyne Dock Engineering ship repair yard called on the Confederation of Shipbuilding and Engineering Unions to "seriously reconsider" its opposition to a rescue plan for the yard, at a meeting held over the weekend.

TASS delegates back merger move rejection

BY OUR LABOUR CORRESPONDENT

THE ENGINEERING white collar union, AUEW TASS, has confirmed its opposition to a merger of the three craft sections of the Amalgamated Union of Engineering Workers at a special delegate conference at the weekend.

TASS's objections to the proposed merger of the three craft sections—the engineering, foundry and construction unions—was upheld last month by the Certification Officer, the official overseeing union mergers and amalgamations.

TASS argued that a partial merger would discriminate against its interests, chiefly because the status of the national conference would be changed.

It believed the conference would cease to be a policy-making body because the other three unions would mandate their delegates on how to vote before the conference.

The amalgamation was stopped just as the construction section was about to ballot its members on the amalgamation.

Mr. John Baldwin, the general secretary of the construction section, has threatened to sue the Certification Officer over the decision.

Mr. Ken Gill, the general secretary of TASS, said yesterday that the union still wished the amalgamation to go ahead, but not with rules which would discriminate against its members' interests.

The delegates' conference also voted for a change in regulations which will allow the executive to suspend, with or without pay, those full-time officials shown to have not been carrying out their duties.

The enforcing of the decision will now be negotiated by the union's executive and the officials.

Union plea over Conoco rebuff

BY OUR LABOUR CORRESPONDENT

THE ASSOCIATION of Scientific, Technical and Managerial Staffs is to appeal to the Organisation for Economic Co-operation and Development, over the non-recognition of the union by Conoco, the U.S.-based oil company.

In a ballot conducted by the Advisory Conciliation and Arbitration Service in April, a majority of Conoco's 300 white collar staff voted for recognition of ASTMS. The union says that the company has since refused to recognise it.

Mr. Roger Lyons, a national officer of the union, said yesterday that the union had now exhausted the appeals procedure under the new Employment Act, and would thus refer the issue to the TUC today for further reference to the OECD.

The OECD lays down guidelines for multinational companies. Among these is an injunction calling on multinationals to follow the same procedures on union recognition as other companies in the industry.

Mr. Lyons said that this would be the first such reference since the new Act came into force.

At the same time, the Central Arbitration Committee has asked Conoco to improve its annual holiday entitlements to its white collar staff. At present this is 20 days, with the provision for one extra day for every five years' of service.

The committee has told the company to grant an extra day's holiday for every year of service. Mr. Lyons said this would influence negotiations on pay and conditions now going on with other oil companies.

Building and Civil Engineering

Wimpey awards top £11m

WHILE many contractors are watching their order books with some apprehension Wimpey seems able to keep the contracts rolling in.

Since the award of a £7.68m shopping centre contract at Swindon, Wilts. (reported on this page last week) the company has gained several other contracts worth altogether over £11m.

The largest of these, valued at over £4m is for what Wimpey describes as infrastructure works at Aztec West, Patchway, Bristol, for Electricity Supply Nominees.

This contract calls for the construction of site roads, a roundabout on the A38 and widening of the latter up to its junction with the M5. The work, which is just starting, also includes drainage and landscaped recreational areas. Architects are Nicholas Grimshaw and Partners.

On the Walton Summit Industrial Estate, Leyland, Lancs, Wimpey is to build a warehouse for the Central Lancashire Development Corporation at a cost of £1.95m. Work has also just started on this job, the architects for which are Taylor Young and Partners.

Other awards to Wimpey are for 34 advance factory units for the Cwmbran Development Corporation (£1.86m), for advance factories in the Brucefield Industrial Park, for Livingston Development Corporation (£1.7m) and for the modernisation of 48 two-storey houses and the rehabilitation of 41 "prefabs" in Pumpherston for West Lothian District Council.

Another award to Wimpey is from the Airport Committee of Luton Borough Council for the first phase contract of an improvement scheme at Luton Airport. This contract is worth £715,000 and is for a first-floor extension to the front of the terminal.

Electrical work worth £6½m.

ORDERS FOR electrical and instrumentation services worth over £6½m have been gained by Holliday Hall & Co. (Matthew Hall Group).

Electrical installations are being undertaken in the new head office for the Royal London Mutual Insurance Society, Colchester (£736,000), in a new mini steel works for F. H. Lloyd & Co. at Wednesbury (£511,000), in the Rotherhithe Tunnel under the River Thames for the Greater London Council (£890,000) and at the Broadway Shopping Centre at Bexleyheath, Kent (£830,000).

More work in connection with Holliday Hall's existing contract on the Sullom Voe oil terminal for BP Petroleum has brought in another £3m and a contract for electrical and instrumentation services on a new acetone recovery plant for BP Chemicals at Hull is worth £193,000.

Two contracts have also been won for work at the Amoco (UK) refinery at Milford Haven. Together these are worth £542,000.

Refurbishing by Lelliott

THREE refurbishing contracts worth a total of £2.7m are being undertaken by John Lelliott.

Work has begun on the part demolition and rebuilding of St. John's Wharf, Wapping, London E1, for Sam Smith (Southern). The upper part of the roof of the seven-storey building will be reconstructed to recreate the original appearance and then the building will be converted into 22 flats. This contract is valued at around £1.6m. Architects are A. J. Goddard Partnership.

Last week the company started the refurbishment of a six-storey office at 6-9, Bridgewater Square, London EC1. The work involves the modernisation of basement, ground and six upper floors, and includes the demolition and rebuilding of the entire 6th floor to provide a tank room and lift motor room. The £½m contract, which is being carried out for The Prudential Assurance Co., is due for completion in 11 months.

At St. Bartholomew's Hospital, London EC1, Lelliott has won a contract to convert part of a building into two laboratories. Substantial mechanical and electrical services work are included in the contract, which is for the North-East Thames Regional Health Authority. Architects are Hodges and Haxworth.

Laing gets two jobs

TWO CONTRACTS, together worth more than than £2m have been awarded to John Laing Construction.

One is for an extension to a Nestle's depot in Warrington, Lancashire and the other is for the modernisation and repair of 135 flats in Salford.

For the Nestle contract, worth about £1.36m, Laing is to construct a steel-framed, brick-clad extension with patent glazing at eaves level. The architects are Beard, Bennett, Wilkins and Partners.

Cost of repairing the flats in Salford will be £740,000. Main items for attention include the fitting of new windows, roof insulation, fire doors, kitchen fittings, electrical and central heating systems and external decoration. Downs and Variava are the architects.

Ground Engineering, a member of the Laing Group, has been awarded the ground investigation contract for Section B of the proposed M66 Manchester outer ring road (Denton to Middleton). The proposed route crosses an area of old mine shafts and other workings which may affect operations.

Services at Gatwick Airport

BRITISH AIRPORT'S Authority has awarded a £1.16m contract to Drake and Scull Engineering for the installation of all air conditioning, domestic and fire services at the new 70,000 sq ft airport office block, which also includes a staff canteen.

Office block in Milton Keynes

THE Milton Keynes Development Corporation has awarded a £5.3m contract to Sir Robert McAlpine and Sons for the construction of a three-storey office block in central Milton Keynes.

Generally of reinforced concrete frame construction, brick clad, the new structure will afford 11,300 square metres of floor space in a building set about a central courtyard. It will be air-conditioned throughout and served by two lifts.

The first of 15,000 cubic metres of excavation will be started soon, with project completion programmed for early 1982.

Monk builds a by-pass

A TENDER from A. Monk and Co. (£1.8m) has been accepted by the Cambridgeshire County Council for construction of the Soham bypass.

Soham lies between Ely and Newmarket, and the 4.6 km-long single carriageway road skirts the built-up area east of the town.

Route is of flexible construction and begins at Shade Common, crosses Qua Fen Common and reconnects with the A412 at the junction with the A1123, having terminating roundabouts at each end.

Light on the job

POWER AND lighting systems—which will be needed temporarily for 16 months while a new pulp and paper mill is constructed in Nigeria—will be supplied by Wysepower.

This £250,000 contract has been awarded by Foster Wheeler World Services which is building the new complex for the Nigerian Newsprint Manufacturing Company at Calabar In Cross River State.

Rain will not stop play

BY DEBORAH PICKERING

AN AMERICAN visitor to Wimbledon this year was heard to say: "Why don't the British have Wimbledon fortnight during the summer?"

The same comment could be applied to our cricket season, when players and spectators alike have more cause than ever to curse the vagaries of this island's climate.

The Canadians may have the answer with the announcement of "air roofs." The principle uses air blown directionally through shaped ductwork with sufficient force to deflect rain or snow from playing areas.

Two types of roofs are offered: Canopy provides an air curtain between overhanging roofs to form a street canopy; Annular gives both roof and wall-type protection, since the air curtain emanates from a ring close to ground level.

Air roofs can be applied to the largest stadiums where outdoor sporting events are held. Only restriction would be one of cost.

Expenditure expands, of course, with the size of the area to be protected, but should be offset against losses in revenue due to unexpected rain, snow, sleet and the unfortunate "rain stopped play" placards.

Development of a workable air roof system has taken over 11 years—since the principle was first disclosed in 1970 in a paper given to the Royal Society.

A full-scale curtain test installed at the Toronto City Hall utilises waste exhaust air from an underground garage and, says the Canadian consortium behind the project, in addition to providing results for comparisons with laboratory experiments and computer simulations, this installation was significant because potential applications of air-curtains may very well arise from economical utilisation of central ventilating and air-conditioning systems.

The jet nozzle thickness was 34 cm and the resulting air jet, with a mean velocity of 27 metres a second, was inclined upward at an angle of 15 degrees to the horizontal projecting an air-roof over a portion of the pavement.

Rain simulation was created by a garden hose with a spray nozzle attached to one end, and the deflection of the water-jet by the air-curtain showed up like a large tick in the sky.

A prototype stadium has been designed by the consortium to fulfil the requirements of an Olympic track, football field and baseball field allowing for spectators in the range of 55,000 to 60,000 people. In this scheme the duct system consists of 38 identical units arranged radially in the form of a giant doughnut.

Whereas the outer portion of the system containing the air intakes, and housing the fans, can be supported directly on grade, it is necessary to cantilever the inner portion over the top of the section of the seats to avoid obstructing the clear view by columns.

A reinforced concrete and concrete block wall construction is suggested for the structure housing the fans. The main duct system, consisting of the roof of the ducts, the floor and the dividing walls, is not only subject to normal snow and wind loads but also to pressure and suction forces created by the air flow inside ducts during the operation of the air dome system.

In order to provide adequate rigidity and minimise loads, a combination of structural steel and steel deck is proposed for the cantilevered portion of the duct system.

Vertical trusses with a cable tie-back system are positioned in each radial dividing wall with the roof and floor system, consisting of steel decks on steel purlins, spanning between the trusses.

Steel deck forms the roof, floors and sides of the ducts, but also acts to resist gravity loads by means of diaphragm action.

For installations in Britain, design and engineering planning would be undertaken by a consortium which is headed by architect Peter Goering and aerodynamists Drs. A. A. Haasz and B. Etkin.

They are offering a complete design package, but fabrication, ductwork, electric fans, installation, etc., would be undertaken by local companies.

Perhaps Lords and Twickenham need now see an end to plastic sheeting and hot air burners.

Information in UK from Cedric Price Architects, 38, Alfred Place, London WC1 (01-636 522).

More work for Mowlem

MAIN CONTRACTOR for National Westminster Bank's tower project, City of London, Mowlem International Construction, has a further £2m contract for work there.

This comprises enlargement and completion of the underground car parking facility serving the tower and the completion of the tower entrance hall, a three-storey structure which previously has been limited by the extent of the main phase of demolition.

Main work includes the heavy reinforced concrete substructure from the entrance hall roof.

Up in Scotland, Mowlem has been awarded a £2.86m contract by Lothian Regional Council for the construction of a 2.3 mile-long sewer under Portobello, east of Edinburgh.

The sewer will link up with local sewers and divert sewage to a disposal works. The sewer will be part concrete pipe laid in cut-and-cover trench and part pre-cast concrete segmental lined tunnel.

Work has started and involves tunnelling twice under the Edinburgh to London railway line, under residential roads and cut-and-cover in other places.

Modernising homes

LONDON BOROUGH of Enfield has awarded a £1.2m contract to V. A. T. Watkins which will upgrade 76 houses in a 12-month period starting this month.

Work involves reroofing, new kitchens and tiled floors, installation of new heating, renewing of all electrics and providing new bathrooms.

Similar contracts by the company include a £2m modernisation scheme for the Ebury Bridge Estate (City of Westminster) and an extensive programme for the Drapers Cottage Homes Housing Association (value £1m).

Heat bonds roofing membrane

DEVELOPED FOR repair work and to be used mainly as a cap sheet (or top layer) on a roof is a weatherproofing system announced by Ruberoid Building Products, Brimsdown, Enfield, Middx. (01-805 3434).

Underside of Rubertorch HP 400 incorporates its own bonding coat of modified bitumen that liquefies virtually immediately when heated with a gas torch to a temperature of about 150 degrees C. The membrane is then simply but firmly pressed into position.

Maker says it is ideal for use where it is not convenient to fix by the conventional pour and roll method.

It also saves time and labour, especially when used as a single layer re-covering where access or installation is difficult with the traditional hot applied bitumen and attendant boiler and buckets.

IN BRIEF

● CONSTRUCTION of 900 piles at the new maintenance facilities complex at the Portsmouth, Hants, naval base is to be undertaken by Fondedile Foundations.

● A contract worth £750,000 to build offices at Felixstowe dock for Walton container terminal has been awarded to FJ Construction (Jackson Group).

● Washington Development Corporation has awarded a contract worth around £275,000 to Ralph Bowey and Son for the construction of an office development in Concord.

● Mears Contracts will erect 39 one and two-person old peoples' flats and one five-person warden's maisonette at New Brighton under a £700,000 project for Merseyside Improved Houses.

● Kenmac Construction has a £220,000 contract from Washington Development Corporation for the construction of the Pattinson South main drainage scheme.

● Totty Building Group has work worth nearly £½m for modernising a factory for Initial Services Textiles, Rochdale, and an autowalk (moving pavement for pedestrians) at Asda's supermarket, Birkby, Huddersfield.

● Main drainage work and construction of a bus lay-by for Warrington Development Corporation will be undertaken by Williams, Tarr and Co., under a contract worth £138,494.

● A guide to refurbishment services tailored to banks and commercial institutions has been produced by The Design Partnership, 92 Turnmill Street, London, EC1 (01-253 0807).

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Injecting a new motivation into local authorities

Robin Pauley and a local council official argue for greater efficiency and professionalism

NEVER HAS British local government been under such intense pressure from all sides. In Westminster, Michael Heseltine's Department of the Environment thinks that local councils are overstaffed and spend irresponsibly; the Treasury considers them branches of central government which must therefore do exactly as they are told: ratepayers protest ever more vociferously about mounting rate bills. In this atmosphere allegations of profligacy, inefficiency and medieval management grow and feed in the community.

Since the reorganisation of local government by the Heath government in 1974 local government has mushroomed into very big business indeed. *Its annual spending* is £22bn a year—nearly a quarter of all Britain's public spending—so that its actions directly affect the government's public expenditure targets, the public sector borrowing requirement, and the whole success of failure of Mrs. Thatcher's overall economic strategy.

The most noticeable result of the Heath reforms was the creation of an extra layer of highly-paid officers at the bureaucratic end of town halls — bearing extravagant job titles and descriptions—and a more general increase in manpower and salary levels. On the other side of the account, there has been no significant proven gain in efficiency. Nor is local government able to respond to all the criticism and allegations with adequate chapter and verse about its achievements, though in fairness to local government it must also be said that central government is in no better a position to defend either its efficiency or it ability to contain its own spending.

It may be that nearly every penny is being spent wisely, that virtually every one of the 2.075m people employed by councils is of crucial importance, and that most services are being provided at the best, most economic and efficient level possible. But it is unlikely, and serious doubts exist at all levels of society. The councils have simply not been able to prove their case.

The management of local authority functions and affairs is a joint process between elected members and their appointed officers, who constitute the Executive. The officers and their staffs advise the members on the administrative frameworks within which the desired political decisions can be implemented.

The activity of Council officers has traditionally proceeded very much in the shadow of their elected masters. Now, as many themselves recognise, the pressure is on for them to demonstrate the effectiveness of their administrative apparatus. But in the absence of the profit motive, what can motivate this special breed of public servant to be efficient (or otherwise)? In the article below, one of their number gives his reply.

R.P.


Inflated dinosaurs take it on the nose from Michael Heseltine. Will his efforts to trim the Town Hall dinosaurs give him as much to smile about? And can council officers be motivated to improve their performance? The answer from Stockport (right) is definitely in the affirmative.

"THE MOST important function of local government is to deliver services to the community at large. The scale and quality of those services depends as much on the political judgment of the local council as it does on the availability of resources. Council services are labour intensive and likely to remain so. Their outputs are notoriously difficult to quantify. A common factor, however, is the pursuit of value for money, that is, effective service delivery which meets needs in as efficient a manner as possible. The continuing *struggle to measure* "value" and "needs" objectively is a microcosm of the political debate about the level of council services. It is also the prime reason why comparisons with business and industry need to be undertaken with great care."

Such statements may be seen as an apologia for local government's inability to compete, especially by businessmen who still subscribe to the naked capitalist philosophy that "The profit motive is the basic driving force of all commercial activity" and that "The company balance sheet is the barometer by which progress is measured."

Many modern businessmen and industrialists would certainly wish to qualify the overriding principle of the profit motive by pointing to the increasing social responsibility of their companies, the contribution they make to the national economy, the local community, their patronage of the arts or sport, their enlightened welfare policies and so on. But the same people might argue that all these eminently worthwhile aims can only be achieved through profitability, and that they would all be abandoned in turn if they were seen to impair performance in the market.

Incentives

By contrast, an organisation such as local government is, by its nature, rarely able to apply the profit motive. Local government in general has a terrible public image and is usually compared unfavourably with the "real world" of industry and commerce. Local government is seen as bureaucratic, wasteful, and inefficient. "If only those people at the Town Hall had to run at a profit they'd soon know what life is all about."

Most generalisation are facile and superficial and it is patently not the case that all companies are efficient nor that all local authorities are the reverse. The real question is what motivates the *efficient* local authorities? In the absence of a profit motive what other incentives keep them ticking?

The traditional response might be "a sense of public service" but this is hardly adequate. People enter local government for all sorts of reasons but very few are "called" to it in a vocational sense. For the manager there is a wide range of opportunity in local government and, although conditions of service are generally good (though not as good as some other public organisations), it is the nature of the work itself which must attract entrants. These entrants are, at managerial levels, generally well qualified and professionally trained. It is the professional base which is the great strength of local government.

Professionalism in local government means that a high degree of motivation is built into the young aspiring manager. He or she sees the job as important for its own sake whether he or she is an architect, an engineer, a solicitor, an accountant, a town planner or whatever.

As a professional he or she will expect more senior colleagues to set high standards and for these to be backed up by the practices of each professional institute

In recent years considerable emphasis has been placed on the need to develop the general managerial skills of the senior professionals in local government. One of the key tasks of the new style chief executive has been for them to rise above departmentalism and to develop a corporate management strategy. The most successful local authorities (as opposed to successful departments within an authority) will be those where the high skills of qualified professionals are harnessed in a corporate manner to the benefit of the organisation as a whole.

How is such success to be measured without a profitability indicator and are there any realistic methods of measuring success in a non-profit making organisation? Output measurement in fields such as education and social services has been markedly unreliable and inappropriate.

To have any hope of answering such questions one must presuppose that clear objectives have been set. Local authorities are not especially good in this respect largely because their time perspective is very short. Three to five-year planning does take place, but not everywhere and rarely with any real success. The *reasons are not hard to* determine and may be summed up in a word—politics.

Most managers in local government are not highly motivated by political philosophy although to be successful they do need keen political awareness It is a mistake to assume that the whole system of government and its organisation at local level is overturned every time there is a change of political control. The vast majority of procedures and policies are unchanged regardless of the political persuasion of the government or the council. On certain sensitive battlegrounds the political will does exert itself, but these are well known and can be prepared for.

Expediency

However, the most important area for political decision-making is in the acquisition and distribution of resources. The national government determines the framework within which a local council must operate through the rate support grant; the local council then determines what call to make on the ratepayers. In both cases decisions are basically political and it is the outcome of these decisions which have most effect on policy, forward planning and management.

The setting of the rate is the paramount decision made in local government. This decision cannot be seen as a major motivating force for managers. A Chief Officer can only advise his elected members about levels of service, and expansion will not take place unless those members so decide. Conversely a political leader with a narrow majority to defend may be more interested in curtailing growth and any officer-based aspirations will be set aside. When the government calls for public expenditure cuts, both officers and members are expected to respond, and motivation is subsumed by expediency.

Local government managers (and in this context both elected members and officers may be so defined) face many of the same problems as their counterparts in industry and commerce. They deal with trade unions, have strikes and go-slows, float loans, suffer from cash flow problems, make investments, build new plant, demolish old stock, buy, sell, sue and are sued, and at the same time the vast majority of their activities are subject to detailed scrutiny by the public. Those managers who do well in local government would do well in most organisations, including those motivated largely by profitability.

If the reason for their success is not a sense of vocation, nor political motivation, nor a drive to make profits, nor personal remuneration, the answer can only lie in a concept of professionalism. "Professional" in its widest sense can be applied to any person, with or without formal qualifications, but with particular skills which he applies to the best of his ability measured against accepted criteria of high standards.

The converse is the "amateur." Many organisations have made use of the "gifted amateur" in the past, and no doubt some still do. But his days are numbered. Survival in business and in local governmend demands a professional approach and the public has a right to expect it from both its elected representatives and its paid officials. Most professional organisations stress this need to their members through codes of practice and conduct.

If successful managers can run efficient local government organisations without a profit motive, one wonders if profitability is quite the dominant force in business it is sometimes suggested. Could it be that an incentive-based environment founded on material rewards is less of a stimulus to high performance than the inculcation of professional attitudes through the setting and achieving of high standards? Is one of the main lessons to be learned from the "hierarchy of needs" propounded by Maslow, the behavioural scientist, that, given the satisfaction of basic needs, people will achieve their full potential only if their attiudes to work are conditioned by keen awareness of their own professionalism, which in turn will generate high performance?

If management is a discipline which can be studied and learned, then providing basic professional standards have been set, its skills must be transferable between organisations. Could this be an area where professional institutes could make a more *telling* contribution in the future education and training of managers? Should local government itself be devoting more effort to preliminary/induction training for newly appointed Councillors?

What does seem certain is that, in the worlds of both business and government, no amount of training in techniques will compensate for a "coudn't care less" attitude. A manager who does not care about his own performance deserves to be condemned by the worst of epithets; he is simply unprofessional.

Neil Fitton

N. J. Fitton is Assistant to the Chief Executive of the Metropolitan Borough of Stockport.

A good lesson from Indonesia

BY SAMUEL BRITTAN

WOULD YOU be in favour of adding a tax on exports to all the other burdens faced by British industry?

This is almost the precise equivalent of the import quotas for which so many people in industry and politics are clamouring. Similar consequences follow from the soft approach to import restraint, such as the campaigns to "Buy British," which were supported in a disgraceful and economically illiterate Conservative party political broadcast the week before last.

Import controls are usually advocated as a soft option when a country has a weak currency. An example was the temporary import surcharge imposed by the first Wilson Government in 1964. Although it did not prevent an eventual devaluation, it did help to shore up the pound for a little while longer.

By the very same logic the effect of import controls today must be to reduce the demand for foreign exchange and send the pound higher. A Government department which buys a dear British substitute for a foreign product to please its political masters produces exactly the same effect.

Truism

How much higher the pound would go we do not need to argue. For the adverse effect on exports follows simply from the truism that the balance of payments must always balance. Anything which reduces imports also reduces exports, unless it also leads to an offsetting capital outflow. The main effect of import restrictions is to balance the overseas account at a lower level of trade with exports, imports and efficiency all suffering simultaneously.

These simple economic precepts, dismissed by self-styled "practical men" as "heads in the clouds theorising," have been brought home in a painful and down-to-earth way by the Indonesian Government.

The row began when the Indonesian Government asked for an increase in its EEC quota under Multi Fibres Arrangement which limits textile imports from the developing countries. After fruitless negotiations, the British Government persuaded the EEC to impose quotas on Indonesian products such as trousers, blouses and shirts.

The Indonesian Government has understandably retaliated by taking measures against British exports. For example, one methanol plant contract order won by a UK firm now seems likely to go to a West German concern. All in all, some £150m of contracts are said to be at stake.

The issue is clearer than usual because the loss of British exports, instead of being spread around the world and observable only to the economic analyst, is concentrated in the same country whose imports are being rejected. The action of the Indonesian Government is making visible and plain, effects which would otherwise be diffused by market forces throughout many parts of the world.

Dispute

British exports to Indonesia amount to about £90m per annum, compared with imports of about £60m, of which only £10m are textiles. So in the dispute Indonesia has strong cards to play. This fact should be welcome to those who want to help poorer countries to develop, as distinct from just writing articles about the North-South gap or the Brandt report.

The best possible result would be for the British Government to accept the case for higher textile imports from countries which, like Indonesia, started from a low base under the MFA. This would be enlightened self interest. The threat to British exports would go; British demands for a less protectionist EEC Agricultural Policy would seem a little less hypocritical; and by showing the sincerity of "trade not aid" it would be easier to fend off demands for a harmful "New International Economic Order" demanded by the bloc of developing countries.

In any case, it is difficult to suppress some cheers for a country which has driven home to British politicians and businessmen that there can be no exports without imports, and that any jobs supposedly saved by import restrictions are at the expense of other jobs lost in the export sector.

A chip at the foundations of Value Added Tax

THE WEEK IN THE COURTS

BY JUSTINIAN

YOU DO not need to be a George Orwell or a George Steiner to discover that the twentieth century, decade by decade, has descended into ever murkier depths of misuse of language. Among the gross misnomers of recent decades "value added tax" deserves a special prize. The only accurate word in the phrase indicates that it is a form of taxation. But nothing in the whole phrase or any part of it reveals that it is an indirect form of taxation, a lynchpin of inflation and a scourge of small businesses.

As an indirect form of taxation, its burden falls heaviest on those who can least afford it: the ordinary man and woman. As a lynchpin of inflation, it adds unnecessary insults to the injuries of an already intolerable state of the economy. As a scourge of small business, it discourages every individual who in a period ostensibly devoted to the lure of private enterprise needs every kind of aid and support.

Logically, there is no justification for levying this tax on receipts and earnings derived from public funds, such as barristers' and solicitors' fees paid from the legendary cornucopia of legal aid. In this context the element of tax consists of a lump of public money passing from one public department to another; and the imposition, administration and collection of this tax are little more than an unseemly game of bureaucratic musical chairs.

A farce gains in comic force when it is played with the utmost gravity; and some ridiculous aspects of this tax are highlighted, no doubt accidentally and unconsciously, but for those reasons all the more effectively, in the Court of Appeal's decision last week in *ACT Construction Ltd. v. Customs And Excise Commissioners*.

The Commissioners assessed ACT Construction Ltd. to value added tax in the sum of £1,072.44.

The work which according to the Commissioners attracted the assessment consisted of the underpinning of various houses.

ACT Construction Ltd. underpinned houses by leaving the existing foundation unaltered and constructing an additional foundation. The houses had suffered subsidence. The existing foundations were too shallow to comply with present-day building regulations; and mere replacement of those foundations in good condition would still fail to satisfy the requirements of those regulations.

A value added tax tribunal, a High Court judge and the Court of Appeal had to decide successively what was the appropriate rate of value added tax for this work.

The million dollar question was whether the work was zero-rated. A scheme of taxation in which zero is one of the rates must be the cynosure of the muse of comedy, and any statute which enacts it is a veritable Pandora's box.

But for anyone in the building or construction industry the zero rate is something about which it is very important to be earnest.

With the big finger of its right hand the relevant statute confers the enviable status of zero-rating on "Construction of Buildings etc.": see Group 8 of Schedule 4 to the Finance Act 1972.

With the little finger of its right hand the statute extends this status to "Supply, in the course of construction, alteration or demolition of any building or of any engineering work, of any services other than the services of an architect, surveyor or any person acting as consultant or in a supervisory capacity": see item 2 in Group 8 of Schedule 4. How many bricks will topple over when a man has these lucid words ringing in his mind!

But, alas, the big finger of the left hand, blissfully ignorant of the activities of the right, removes zero-rating from "any work of repair and maintenance": see section 46 and note 2(a) to Schedule 4 of the 1972 Act.

Where, oh where, in this morass of legislative verbiage does ACT Construction Ltd's underpinning lie?

The value added tax tribunal decided that it was "maintenance," and thought that maintenance extended to "the keeping of something in proper order before the thing falls out of condition."

The High Court judge, Mr. Justice Drake, decided that the tribunal had erred in law by misinterpreting an ordinary word and that the work carried out by ACT Construction Limited did not constitute "repair" or "maintenance" in the "sense that those words are ordinarily used and understood."

He ruled that the test though not an exhaustive test in deciding whether work was or was not repair or maintenance was whether it had changed the nature and character of the buildings concerned. The tribunal had erred in failing to ask this question.

The view of the High Court judge did not correspond with the official view of the Customs And Excise, who included "shoring up and underpinning" among examples of work which was "positive-rated as repair or maintenance:" see notice No. 715 paragraph 4(a).

ACT Construction Limited had appealed successfully to the High Court judge. The Commissioners in turn appealed to the Court of Appeal. The result was a bouquet to the building trade and a brickbat to the bureaucrats.

Counsel for the Commissioners had argued that this was a matter in which different tribunals could legitimately reach different conclusions, with which the courts should not interfere.

Lord Denning, robustly rhetorical as ever, said that it was intolerable if different tribunals came to different decisions on similar facts. The tribunals were not the ultimate arbitrators. When a definite ruling was needed, it must be for the Courts to decide the meaning of a word.

What would the ordinary reasonable man say about the particular work which was done at a cost of £7,000 or more if he was asked whether it was "maintenance?" He would say, according to Lord Denning: "Certainly not. I know what repair is if a window is broken. I know what 'maintain' is: it is to keep in good order."

For Lord Denning putting in a damp course, double glazing or a fixed cupboard was not maintenance. The work of underpinning was not maintenance, but an alteration to the building. Zero-rating was the order of the day.

For Lord Justice Brandon, the replacement of metal gutters liable to rust by plastic gutters, although an improvement, could also fall within the expression "maintenance": maintenance did not preclude improvement.

But in the case of ACT Construction Limited, the work was not done to an existing part of the building. It involved an extension to the existing building, "an extension in a downward direction," and was not, according Lord Justice Brandon, capable of coming within the ordinary meaning of maintenance.

Lord Justice Brandon and the value added tax tribunal had different ideas what the same word was or was not capable of meaning.

For Lord Justice Ackner, the work done by ACT Construction Limited was "clearly a structural alteration." It was not work of maintenance in the ordinary accepted sense of the word. The word "maintenance" had various connotations. Generally, it involved an element of repetition. Generally, it involved foreseeability. In its ordinary meaning it involved work of minor significance. It did not ordinarily connote some substantial addition. It did not involve making the building better than when it was constructed. The provision of an entirely new foundation could not be said to be work of maintenance.

And so, in the eyes of the law, a builder who underpinned a house is not maintaining it.

And yet, what is underpinning but providing a building with a means of support? And what is a means of support of a building but a way — and hopefully an effective way — of maintaining it?

What houseowner whose house needed underpinning would regard the work as giving him "an extension in a downward direction" of his home? Would he not prefer to regard himself as maintaining or helping to maintain his home?

Of course, a judge should not be "a mere mechanic in the power-house of semantics." He must, like Humpty Dumpty, be the master of the words. But if this case or this issue ever went on appeal to the House of Lords, would Humpty Dumpty still sit triumphantly on the wall?

As the law now stands, the construction industry can rejoice. But how long will the jubilation last? Or will value added tax be laid to a well-deserved eternal rest.

Heighlin heightens his chances

RACING

BY DOMINIC WIGAN

THOSE who have either already backed or intend to back, Heighlin for the Cesarewitch at the end of the week must have been more than satisfied with the outcome to Saturday's Bovis Stakes at Ascot.

The race served as yet another reminder that, in trainer David Elsworth, Heighlin has had the good fortune to join one of the most outstanding "up and coming" masters of his profession this country has seen in recent years.

On Saturday it was Ferryman's opportunity to reconfirm Elsworth's status as a man with a remarkable way with handicappers in particular. The four-year-old, a bay son of Forlorn River, justified a substantial gamble in the highly competitive 18-runner Ascot handicap and won his fifth race over the minimum trip since the start of the 1978 campaign.

Ferryman's most important success to date could hardly have been more deserved, for in no less than five of his eight previous races he has found just one too good.

Turning to Heighlin, who could well be disputing market position with Al Kuwait, come Saturday afternoon, Elsworth's ability has an even sounder advertisement. For he bought the High Line gelding out of Henry Candy's illustrious Wantage stable for 14,000 gns. last autumn after Heighlin had won a maiden and two minor handicaps at Bath for Master Willie's handler.

Since joining Elsworth, Heighlin has not only proved his versatility by landing the Daily Express Triumph Hurdle but has picked up £43,000 in prize money and subsequent victories in eight staying handicaps.

Latest Tote Cesarewitch odds: 5-1 Al Kuwait, 7-1 Heighlin and Popsi's Joy, 14-1 Another Generation and Popaway, 16-1 John Cherry and Sir Michael, 20-1 bar.

PONTEFRACT

2.15—Kathred
2.45—Plain Stalker*
3.15—Caledonian**
3.45—Scottish Dream
4.15—Yorkshire Dancer***
4.45—Sir Billy

TV/Radio

† Indicates programme in black and white

9.00 am For Schools, Colleges. 11.25 You And Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill At One. 1.45 See-Saw. 2.01 For Schools, Colleges. 3.15 Songs Of Praise from Cardiff. 3.53 Regional News for England (except London). 3.55 Play School (As BBC 2 11.00 am). 4.20 Winsome Witch. 4.25 Jackanory. 4.40 Jana Of The Jungle. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 The Amazing Adventures Of Morph.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Angels.
7.20 Star Trek.
8.10 Panorama—Transplants—Are the Donors Really Dead?
9.00 News.
9.25 The Monday Film: "The Bounty Hunters," starring Yul Brynner.
11.10 Film 80.
11.42 Golf highlights.
11.42 Step This Way.

All Regions as BBC 1 except as follows:—

BBC Cymru/Wales — 1.45-2.01 pm Pila Pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 12.05 am News and Weather for Wales.

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.05 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 am News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North-west (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.00 am Good For Business.
10.25 Role Of The Nurse.
11.00 Play School.
11.25 Write Away.
11.40-1.00 pm, 2.30-3.00 and 3.25-5.15 Suntony World Matchplay Final.
2.15 pm Let's Go.
3.00 Make Your Own Furniture.
3.30 Time Out Of Mind.
4.15 Is There Life After School.
5.15-6.05 Open University.
6.55 "Coppelia" (animated film).
7.10 Mid-Evening News.
7.20 Living On The Land.
7.45 Wainwrights' Law.
8.10 Shirley Bassey.
9.00 Rhoda.
9.25 Horizon.
10.15 Marisa Robles Masterclass.
11.00 Newsnight.
11.45 Heute Direkt.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You A Story. 12.10 pm Rainbow. 12.30 Village Action. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Farmhouse Kitchen. 2.00 Against The Wind. 12.30 Monday Matinee: "Miss Sadie Thompson," starring Rita Hayworth. 4.15 Kidnapped. 4.45 Clapperboard. 5.15 White Light.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Give Us A Clue.
7.30 Coronation Street.
8.00 Keep It In The Family.
8.30 World In Action.
9.00 "The Other Side Of Hell," starring Alan Arkin.
10.00 News.
10.30 "The Other Side Of Hell" (continued).
12.20 am Close: "Sit Up And Listen" with Lord Denning.

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 1.30 About Britain. 2.00 Farmhouse Kitchen. 2.30 Monday Film Matinee: "Guns of the Timberland" starring Alan Ladd. 5.15 The Brady Bunch. 6.00 About Anglia. 6.30 Survival. 12.20 am Reflection.

ATV

1.20 pm ATV News. 1.30 About Britain. 2.00 Farmhouse Kitchen. 2.30 The Monday Matinee: "Situation Hopeless—But Not Serious" starring Alec Guinness and Robert Redford. 5.15 Mr. and Mrs. 6.00 ATV Today. 9.00 Vegas. 10.30 Left, Right and Centre: 11.10 ATV News. 11.15 Danger UXB. 12.15 am Something Different.

BORDER

1.20 pm Border News. †2.00 Monday Matinee: "Carve Her Name With Pride" starring Paul Scofield and Virginia McKenna. 5.15 George Hamilton IV. 6.00 Lookaround Monday. 6.15 Mr. and Mrs. 6.45 Brain Of The Border. 12.20 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 1.30 About Britain. 2.00 Farmhouse Kitchen †2.30 The Monday Matinee: "Street Corner". 5.15 Happy Days. 6.00 Channel News. 6.10 Then Came Bronson. 10.28 Channel Late News. 12.20 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 1.30 About Britain. 2.00 Farmhouse Kitchen. 2.30 Monday Matinee: "Trottie True," starring Jean Kent. 5.15 Mr. and Mrs. 6.00 North Tonight. 6.35 Country Focus. 12.20 am Reflections. 12.25 North Headlines.

GRANADA

1.20 pm Granada Reports. 1.30 About Britain. 2.00 Farmhouse Kitchen. †2.30 Monday Matinee: Peter Sellers in "The Naked Truth." 5.15 Happy Days. 6.00 Granada Reports.

HTV

1.20 pm HTV News. 1.30 About Britain. 2.00 Farmhouse Kitchen. 2.30 The Monday Matinee: "Women of the Year." 5.15 Mr. and Mrs. 6.00 Report West. 10.28 HTV News

HTV Cymru/Wales—As HTV West except: 10.05-10.20 am About Wales. 10.40-11.00 The French Programme. 11.05-11.20 Am Gymru. 12.00-12.10 pm Ffalabalm. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News and Road and Weather. 1.30 About Britain. 2.00 Farmhouse Kitchen. 2.30 Monday Matinee: "Crisis at Sun Valley." 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.40 Crimedesk. 12.20 am Late Call.

SOUTHERN

1.20 pm Southern News 1.30 About Britain. 2.00 Houseparty. 2.25 "Home To Stay" starring Henry Fonda. 3.45 Farmhouse Kitchen. 5.15 Diff'rent Strokes. 6.00 Day by Day including Southsport.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 1.30 About Britain. 2.00 Farmhouse Kitchen. †2.30 Monday Matinee: "Seven Days to Noon" starring Barry Jones. 5.15 The Adventures of Black Beauty. 6.00 North East News. 6.02 Double Top. 6.30 Northern Life. 10.30 North East News. 12.20 am God In Nature.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "Son-Rise." 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 10.29 Ulster weather. 12.20 am Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 1.30 About Britain. 2.00 Farmhouse Kitchen. †2.30 The Monday Matinee: "Street Corner" starring Anne Crawford. 4.12 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 10.31 Westward Late News. 12.20 am Faith for Life. 12.25 West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 1.30 About Britain. 2.00 Farmhouse Kitchen. 2.30 Monday Matinee: "Son-Rise." 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Happy Days. 12.20 am The Jazz Series, hosted by George Chisholm and his Gentlemen of Jazz.

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

6.00 am As Radio 2. 7.00 Dave Lee Travis. 9.32 Simon Bates with The Golden Hour—Part 1: 1976. 10.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates with The Golden Hour—Part 2. 3.32 Peter Powell. 5.31 Stayin' Alive. 7.31 Mike Read. 10.02-12.00 John Peel (S)

RADIO 2

5.00 am News Summary. 5.03 Ray Moore (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music (S). 6.03 John Dunn (S). 8.02 Folk on 2 (S). 9.02 Humphrey Lyttelton with the Best of Jazz on record (S). 9.55 Sports Desk. 10.02 Free Spin. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer (S). 10.00 Machaut and Landini: Recital by Medieval Ensemble of London (S) and at 10.40-10.45 Interval Reading. 11.30 Performance of Messiaen's "Turangalila Symphony" (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 Matinee Musicale (S). 3.05 Northern Sinfonia Orchestra (S). 4.05 New Records (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Andre Navarra cello and piano recital (S). 7.30 Thoughts on Music and Literature. 8.15 Rozhdestvensky and the BBC Symphony Orchestra (S). 9.25 Piano Ballades (S). 10.00 The Complete Webern (S). 10.30 Jazz in Britain introduced by Charles Fox (S). 11.00 News. 11.05-11.15 Mozart (S).

VHF only—12.00-12.40 am Open University for students in Radio Scotland and Radio Cymru areas only.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 People in the Blitz. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Story Time. 11.00 News. 11.05 The Greatest Englishman—A portrait of St. Boniface of Crediton, Apostle to Germany. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 It Makes Me Laugh. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.35 Askey's Hall of Fame: "Monsewer" Eddie Gray. 4.45 Short Story. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Rumpole (S). 7.00 News. 7.05 The Archers. 7.20 Quote . . . Unquote (S). 7.50 The Shaw Festival: "The Apple Cart" by Bernard Shaw. 9.45 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.40 Music at Night. 12.00 News.

London Broadcasting

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.03 Black Londoners. 8.00-5.00 am Join Radio 2.

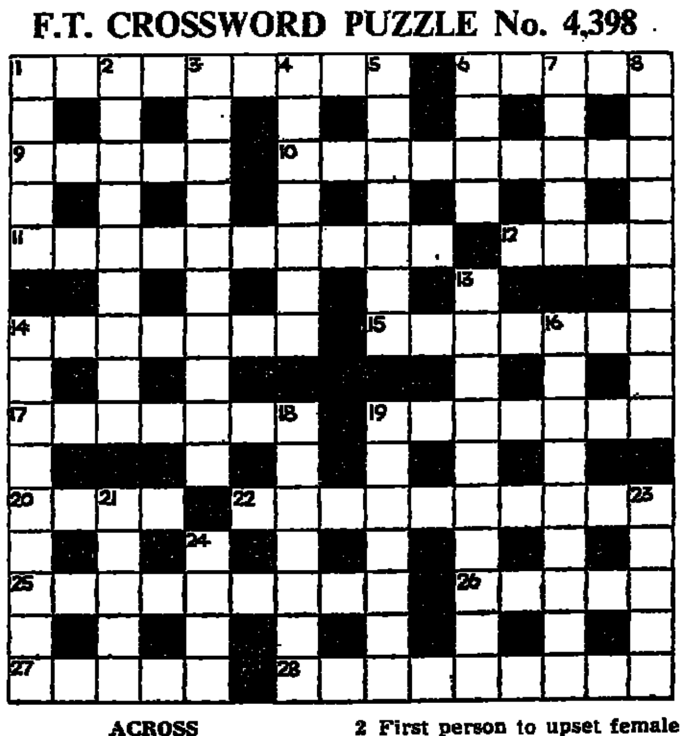
BBC Radio London

6.00 am AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes, live from Dublin. 12.00 LBC Reports. 8.00 pm After Eight Special. 9.00 Mike Dickin—Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Graham Dene (S). 1.00 pm London Today (S). 1.10 Graham Dene continued . . . 3.00 Roger Scott (S). 7.00 London Tonight (S). 9.00 Alan "Fluff" Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Night Flight.

F.T. CROSSWORD PUZZLE No. 4,398



ACROSS

1 Rushes to relative with vermouth (5, 2, 2)
6 Upset when given the chop (3, 2)
9 Novel girl for ever giving warning (5)
10 Go to prison at start of tennis game (5, 4)
11 Auditor's assistant plugged into 18 (7, 3)
12 Undisturbed right to enter professional payment (4)
14 Nothing before end of May is wicked (7)
15 Join the missing persons? Don't be such a pest (3, 4)
17 Venture to let piano continue (7)
19 Target practice at Ambridge (7)
20 Comfortable? The ayes might have it (4)
22 Skill with which one copper departed coherent (10)
25 Hangs on to heart of count (4, 5)
26 Night out for cast (5)
27 Look after railwayman going to south-east (5)
28 Drone then could be seated majestically (9)

DOWN

1 Break down one of the overheads at Wimbledon (5)
2 First person to upset female supporter confident of having opening for gun (9)
3 Perpendicular? Honest it is (8, 2)
4 Flowers keeping informer in high spirits (7)
5 Change of direction in work of capstan operator (7)
6 Third class ought to press head with both sexes together (4)
7 Judge has right to enter row (5)
8 Way Santa Claus fills the stockings in due course? (9)
13 Project on behalf of champion (5, 2, 3)
14 Child joins family in small drink (9)
16 Job at Lancing? (9)
18 A role he switches to provide opening for listener (7)
19 A tree not without heart needs food (7)
21 Beast in the way always (5)
23 Spurred for example both ways by daughter (5)
24 Man maybe—but not according to Donne (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

Grand Theatre, Leeds

Jenufa/Elixir of Love

by MAX LOPPERT

Jenufa is one of the most beautiful and moving, one of the most compassionate and truthful, of all operas; it is a work to thrust in the face of any poor soul (if such still exists) who believes that the medium is by its nature condemned to eternal frivolity. I can hardly claim to offer these affirmations as new discoveries—indeed, the very fact that the opera is now to be found in the repertories of almost all our major opera companies is itself a recognition of them; I do so, rather, as truths newly borne out by the English National Opera North production, which after its third performance on Friday sent at least one member of the audience out of the Grand Theatre glad to be alive.

This was the matchlessly invigorating effect of the work itself, and also of the proud and full-hearted way in which the young company has risen to it. David Pountney's staging, now five years old, was the first product of the Janacek cycle being shared between the Welsh and Scottish companies. Its loan to ENON is presumably a consequence of budgetary restraint, yet the further hard use to which a good production is thus put can surely only further strengthen its already prominent good points.

These are, principally, an understanding of the work's idiosyncratic, marvellously economic dramatic pace, in which in the outer acts companionable and even high-spirited episodes register amidst the prevailing mood of sombre tragedy. No less sure is the way in which, in these outer acts, Mr. Pountney makes public and private worlds collide — the chorus is not only excellently strong in voice but blessedly natural in action. In the middle act the producer still gives strongest cause to regret a taste for stagey effects-making ("cinematic" lighting changes, exaggerated physical responses) briefly in evidence elsewhere. The skeletal character of Maria Bjornson's design is here least apposite; and here likewise the conducting of David Lloyd-Jones, though unfailingly sympathetic to Janacek's unforgettable brand of angular lyricism, failed on Friday always to wring the dramatic situation to its tightest.

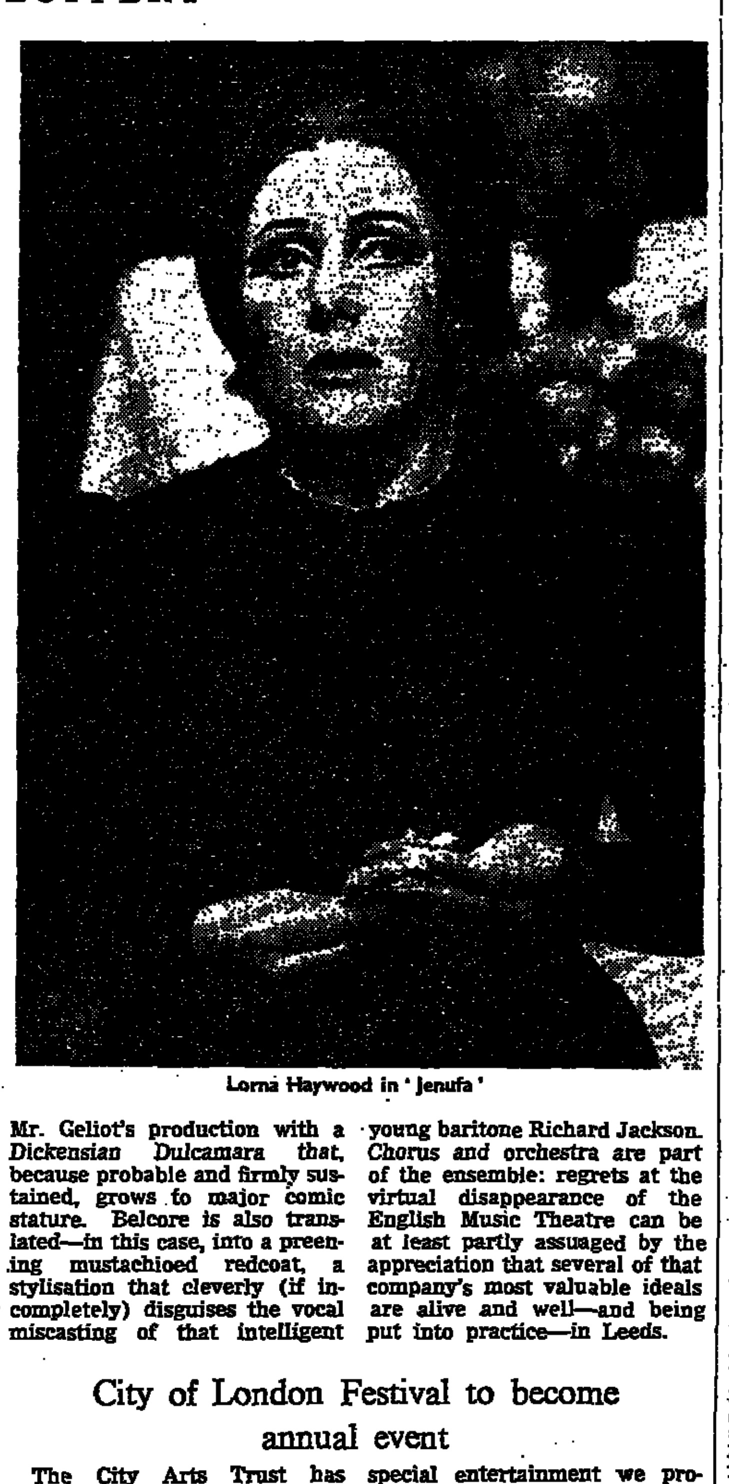
But it was in this middle act that the masterly playing and singing of Lorna Haywood in the title role and Robert Ferguson's powerful yet never insensitively burly Laca came into full focus, and so balance was restored. Neither has quite the youth—in Jenufa's case, anxiously radiant; in Laca's simmering with inarticulate ardour—for the first act. Even so, the soprano's complete command of musical and dramatic detail and the tenor's natural intensity ensured immediate involvement—in *Jenufa* this often takes longer to achieve.

A former member of the ENON chorus, Philip Mills, makes the best-looking Steva I have seen — properly so, because with it his performance carries a splendid suggestion of blond, weak-willed charm that so far Mr. Mills does not quite see through to a logical end; his presence in the final scene was inert. The strong singing of these three difficult roles was remarkable; no less so Margaret Kingsley's unflinching Kostelnicka—her attack on those perilous high phrases may not have been beautiful to hear but it was fearlessly secure. Miss Kingsley's command of physical self-containment eaten away by terror lacks only the grandeur that ought to go with it, a grandeur that can and should transform a "case-history" role into one of opera's deepest and most original creations.

There are two companion works for *Jenufa* in the current Leeds season: I saw the first of them, *L'elisir d'amore* (given in the translation of Ruth and Thomas Martin) the following evening. (The other is *La traviata*.) Donizetti's gentle comedy goes wonderfully well in the Grand Theatre, which is neither so small as to miniaturise the scale of the tender feelings presented therein, nor so large as to cause an unnatural inflation of comic effects. These, in Michael Geliot's production and in Jenny Beavan's pretty, rustic-English painted sets and costumes, are mostly quite broad enough already — Mr. Geliot is never a man to miss the chance for earthy jokes if he can find one. Yet because he has understood the work's special flavour—a comedy in which pastoral conventions of long standing are heightened by poignant romantic sentiment—most of the larks are contained within the frame of dramatic decorum and even when they are not, the spirit of the performance is infectious—Clive Timms' conducting has a great deal to do with this—in a way that stays severe criticism.

The cast is a delight. Ryland Davies, a Nemorino seasoned but still fresh (vocally fresher, indeed, than when I last encountered it), mooncalf, clown, and poet in expertly judged proportions, is at his ease in a theatre that dose not expose his vocal resources to strain. When Lillian Watson played the small role of Giannetta in the Covent Garden *Elisir*, eye and ear tend to stray towards her unnaturally often. Now, as Adina, all Miss Watson's abundant talents are fully operative—the voice agile, poised, and sweet, the impersonation a perfect blend of high spirits and warm heart.

Rorbes Robinson responds to the Anglicised conventions of Mr. Geliot's production with a Dickensian Dulcamara that, because probable and firmly sustained, grows to major comic stature. Belcore is also translated—in this case, into a preening mustachioed redcoat, a stylisation that cleverly (if incompletely) disguises the vocal miscasting of that intelligent young baritone Richard Jackson. Chorus and orchestra are part of the ensemble: regrets at the virtual disappearance of the English Music Theatre can be at least partly assuaged by the appreciation that several of that company's most valuable ideals are alive and well—and being put into practice—in Leeds.



Lorna Haywood in 'Jenufa'

City of London Festival to become annual event

The City Arts Trust has decided that the hitherto biennial Festival of the City of London is to become an annual event, with the first of a new series of festivals scheduled to take place between July 5-18, 1981.

Commenting on the decision the City Arts Trust's new chairman Mr. Ron Peet, group chief executive of Legal and General, said: "In both organisational and promotional terms it makes absolute sense to stage our festivals each year, and will also provide far greater continuity. I am confident that the decision will be welcomed by the many thousands who have come into the City in increasing numbers to enjoy the rather special entertainment we provide in our splendid livery halls and City Churches, in Guildhall, at St. Paul's and in our open spaces. We shall also be seeking a close working relationship with the Mermaid Theatre and in due course with the Barbican Centre."

For all previous festivals the artistic director has been Ian Hunter who has now retired. He is succeeded by Ivan Sutton, chairman and founder of the City Music Society.

Pissarro retrospective at the Hayward

The Arts Council has organised a major retrospective exhibition of the work of Camille Pissarro to celebrate the 150th anniversary of his birth. It will be shown at the Hayward Gallery from October 31 until January 11, 1981, when it will transfer to the Grand Palais in Paris and then to the Museum of Fine Arts in Boston.

The last Pissarro retrospective was at the Musée d'Orangerie in 1930, when most of Pissarro's important paintings were still in France. Today they are scattered all over the world but the most outstanding works have been secured for this exhibition from public and private collections in Europe, the U.S.A., Canada, Venezuela and Japan.

World premiere of 'Sugar and Spice'

The world premiere of *Sugar and Spice* by Nigel Williams takes place this evening at the Royal Court Theatre. The play, commissioned by the Royal Court, is directed by Bill Alexander.

Dublin Theatre Festival

Translations

by MICHAEL COVENEY

The 22nd Dublin Theatre Festival, which continues until Saturday, is rippling with new Irish plays and, despite the petrol shortage, attracting large audiences. Old hands cannot remember a festival like it. For a start, there is no contribution from Hugh Leonard, who used to write a new piece each year. But Mr. Leonard is the programme director and, together with his irrespressible festival director, Brendan Smith, he is doing a grand job in reflecting the new playwriting boom.

The indisputable hit is Brian Friel's *Translations* at the Gate Theatre. Dubliners have said to me that no play in the city has generated a comparable excitement since the opening of Behan's *The Quare Fellow*. Certainly the first performance of *Translations* last month in Derry has quickly assumed the ring of legend. Mr. Friel goth together with the actor Stephen Rea to form a new company, Field Day. That name was suggestd by the play itself, which is set in an Irish speaking community in Donegal in 1833. The British army has surrounded the area, ostensibly to draw up new maps.

I had better declare straight away that I consider *Translations* to be not only the best play I have seen all year, but also the most moving, most reverberative and most important new Irish play for years. The community is led by Hugh (Ray McAnally), a magnificently dishevilled teacher in the hedge-school where the action takes place. The hedge schools, as the programme informs us, "were the most vital force in popular education in Ireland during the 18th century." That vanished world — and this is only one level on which the play operates — is evoked with clear-eyed assurance. The joyous pursuit of learning for its own sake is certainly celebrated in the ramshackle lessons and in Mr. McAnally's preference for using even Latin before English. At the end, as the area is about to be levelled, Hugh recalls marching in 1798 with a pike on his shoulder and the Aeneid in his pocket. He marched for 23 miles and then, along with his friends, turned round and marched back to what he knew.

The writing is bathed in such poignancy, but is never gratuitously sentimental. The link between the army and the hedge school is Hugh's son Owen (Stephen Rea) who has been away in Dublin for six years and has come back as the army's interpreter. His brother Manus (Mick Lally) is still in the school, on the point of getting married and trying to instil learning in an almost catatonic peasant girl (Ann Hasson). Owen sets about translating the place names for Yolland, a young British lieutenant who is not only sympathetically written by Mr. Friel, but sympathetically played by Shaun Scott.

Yolland wants to learn the language, loves the countryside, admires the school. He is also, of course, an agent of destruction. But that is left unsaid. Instead, Yolland plays a most beautiful love scene with Manus's fiancée. Each speaking his own language (although of course, in the theatre, we hear only English) they fumble for expressions of affection, neither understanding the other. Filtered through this remarkable scene is the idea of the sound of speech in itself being attractive. The girl even resorts to Latin at one point. And all the time, the actors' physical presence transmits the fact of their sexual attraction for each other.

Manus has no choice but to make a dignified exit. In another crushingly powerful emotional scene he says farewell to the dumb girl in the form of a final lesson. At last she can stutter out her name. As this community undergoes traumatic change, so Owen wakes up to the consequences of what he is doing, not in some blinding flash of polemical insight, but in the practical discussion of changing a place name. The character of a place lives in its title. It often has mythological as well as topographical significance. In the simple problem of how new generations will know that once there was a well near that particular crossroads, Mr. Rea says more about the best sort of national pride and dignity than a volume of overtly propagandist material.

This stunning piece of work, expertly directed by Art O'Briain, reduced everything else I saw in a three-day visit to trifling irrelevance. There was, for instance, Stewart Parker's *Nightshade* at the Peacock. It is an ingenious little play about a bereaved mortician (T. P. McKenna) who doubles as a part-time magician. His staff are threatening to go slow, his son is learning the trade and his daughter (who occasionally leaps out of a magic box to tap-dance on a coffin) is given to Biblical babblings and over-cultivated dreams about the Sleeping Beauty. It is an ambitious but ultimately inconsequential play, stuffed full of not very good and over-familiar jokes and shot through with Mr. Parker's customary brand of irritating whimsy. The production by Chris Parr is rather gloomily inventive. Every time the scene changes, the lights go down and the play just dies.

Elsewhere I saw *Nora Barnacle* by Maureen Charlton at the Ebiana, a musical about James Joyce and his wife ("She'll never leave him," said the writer's father on learning her name) that touchs sublime heights of banality. It is quite dreadful, totally uninformative about that fascinating relationship and bursting with appalling lyrics. "Not far, not far from the Gare Saint Lazare" they chortled in Paris. At one of the morning Press conferences, the *Irish Times* critic had a pint of bitter tipped over his head by the irate author as a result of something he'd said. I hope, on my next visit, Miss Charlton does me the courtesy of remembering that I am a Guinness man.

Finally, *Zoz* at the Olympia is a musical celebration of Zozimus, the blind Dublin eccentric who ran a street cabaret for down-and-outs in the early 19th century. It is cheerful, unpretentious and not very good. Tomas MacAnna's production is an exercise in undisciplined pantomime but a lot of feet were tapping to the Wolfe Tones' folk music.

Contemporary Music Network opens

For the opening tour of the 1980-81 season of the Arts Council's Contemporary Music Network, the jazz-rock band Turning Point will be giving 15 concerts throughout England and Wales. Neil Ardley and Allan Holdsworth have joined the band for this tour.

The tour has already begun and further dates include Brighton (13), Southampton (14), Derby (15), Coventry (16), Llantwit Major (17), Bristol (18), Birmingham (19), Kendal (20), Manchester (21), Norwich (23), Leeds (24) and Sheffield (25).

Piano month

The first British piano month started at Chappell's in Bond Street last week. Pianos by all British manufacturers will be on show while at noon on certain days there will be recitals and a piano forum. Seventy per cent of British piano production is now exported.

Architecture

The English House

by COLIN AMERY

There is an excellent small exhibition that will be at the Building Centre in Store Street until the end of the month about the history of the English House from 1860 to 1914. It has been compiled by Gavin Stamp and is sponsored by the Building Centre Trust and Redland.

The exhibition takes its title from the great study of English domestic architecture by Hermann Muthesius that was published in 1904. Muthesius wrote his book (*The English House* translated from the German by Janet Seligman and edited by Dennis Sharp; published by Crosby Lockwood Staples, London, 1979) to explain the virtues of late Victorian domestic architecture to the people of Germany.

Muthesius, who was a diplomat in England, had a great interest in the revival of craft traditions and was fascinated by the English conviction that to live in a private house on its own land represented a higher form of life. In his book Muthesius established a series of architectural heroes who were, in his view, masters of the domestic vernacular. Philip Webb, Richard Norman Shaw, W. R. Lethaby, Charles Voysey, Edwin Lutyens and many others.

It is their work that is shown in this exhibition in a series of panels of photographs, many of the most evocative pictures having been taken for the exhibition by André Goulancourt. There are also some of the architects' own drawings which tell us so much more than photographs.

There is no doubt that all the houses on display represent the kind of domestic ideals that Muthesius so much admired, ideals that were filtered down to the garden cities and the new towns.

Although most of the houses shown were built for the middle class at a time when England was the richest nation in the world, the last section does bring out the fact that these were the sort of houses that everyone wanted to live in—and presumably still do. Letchworth, Hampstead Garden Suburb, Port Sunlight, and Bourneville are the model communities that successfully attempted to spread the ideas of living in agreeable small houses built close to nature.

It has never been a problem for the monied classes to achieve their domestic ideals, and Muthesius was as much concerned with housing the industrial workers humanely as with the more esoteric tastes of the rich. Miniature copies of so many of these houses sprouted up all over the suburbs in the 1930s and the effect of the debasement of the arts and crafts styles has never yet been explored.

Perhaps the disturbing thing about this exhibition is the absence of any unity of style among the houses. These are houses that fit on their own particular sites, often with quirky and peculiar plans but always appropriate for their clients. Many of the buildings by architects like Flockhart, McLaren, Bedford, Kitson, Walton, and Cave are by any standards minor and derivative. It is difficult for them to stand up to the assured originality and innovation of Lutyens and the sheer beauty of Bodley's houses in Malvern.

I felt at this exhibition that the layman would appreciate more background information. Philip Webb took the principles of Pugin to extremes allowing the houses to design themselves and letting the materials and crafts have a new kind of freedom. This led to a new beauty and to a curious eccentricity and it is these two two streams of thought that need a more discriminating analysis.

This is a stimulating and intriguing exhibition. It is essential to buy the catalogue which is clear and often amusing. A visit to the Building Centre to see these enticing houses certainly exposes the greyness of much modern domestic architecture, but I remain to be convinced that our English domestic ideals are dead, there are even some architects struggling to keep them alive.

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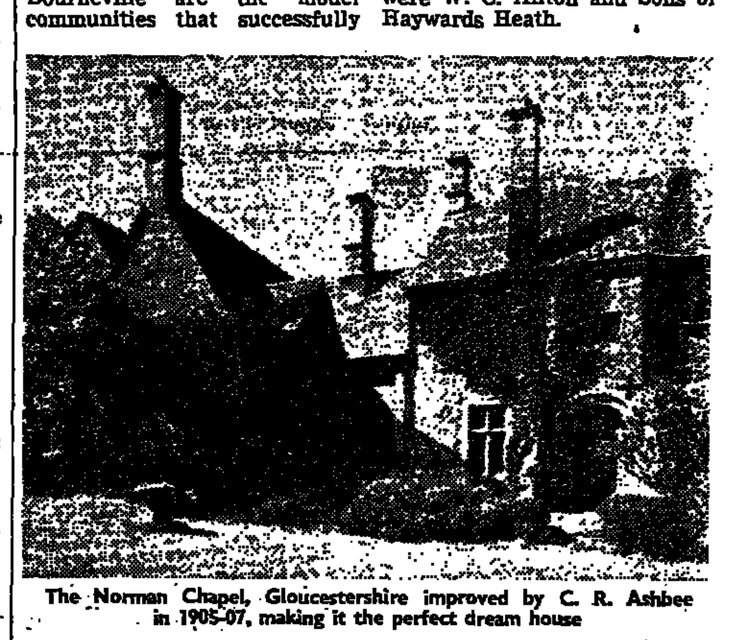
In my article on September 22 about the new nunnery in Sussex I should have mentioned that the contractors who built the new priory so successfully were W. C. Hilton and Sons of Haywards Heath.



The Norman Chapel, Gloucestershire improved by C. R. Ashbee in 1905-07, making it the perfect dream house

Young Writers' Festival 1981

The closing date for entries in next year's Royal Court Young Writers' Festival is December 6.

As before, anyone aged 18 or under may submit a play, a group entries are also welcome. No restrictions are imposed on theme, style or length, but cast requirements should be limited to about six actors. Entries are best typed, with the name, address and age of the author clearly marked on the title page—and should be sent together with a SAE for return, to the *Young Writers' Festival, Royal Court Theatre, Sloan Square, London SW1W 8AS.*

Entries will be read by a panel of directors and writers who all work at, or are closely associated with, the Royal Court. The final selection will be made by Max Stafford-Clark, artistic director, and David Sulkin, Young People's Theatre Scheme director.

A programme of four or five plays will then be presented in the Theatre Upstairs next spring. In addition to having their work professionally mounted (and receiving a share of the royalties) the young authors will be involved in every aspect of production, such as casting, design and rehearsals.

Nottingham Playhouse

Mrs. Warren's Profession

by B. A. YOUNG

Shaw may have been right about the immorality of some big business, but he was too innocent a man to be right about prostitution. No doubt some girls in the days when he wrote *Mrs. Warren's Profession* went on the game because their wages were insufficient; but there are plenty who still do it when they can earn £50 a week behind a counter. They say, as Mrs. Warren said, it's nice work if you can get it.

At any rate, this is still an effective play. The production under Richard Digby Day is twisted slightly out of the accepted shape by the unusual casting of Imelda Staunton as Vivie. Miss Staunton is short and square, and as tough as a Liverpool bus conductress; she never gives an invitation to Frank or her mother, only an order. This makes it hard for her mother to offer her around to Crofts or anyone else as a tasty dish, for it is clear that she is never going to be anything but an actuary at Fraser and Warren's (where she has her name put up on the door the day she arrives).

Mrs. Warren, played by Judy Campbell far more in accordance with tradition, could never have begun to understand such a daughter. When she tells us in the last act about the joys of being rich, we know that she has no real depth of character, and Vivie knows it too. Miss Campbell seems to me to have got Mrs. Warren just right, smashingly beautiful in an artificial way in her ginger wig, but never quite a lady, even allowing a touch of cockney to show through now and then.

The others in this play always run the risk of seeming like caricatures—Shaw's fault, not theirs — and Clive Carter's Frank and Basil Hoskins's bellowing Crofts fall into this trap. Geoffrey Colville is a nice gentle Praed; he and Crofts are faultlessly turned out in Act 3 in spite of apparently having arrived in Haslemere without any baggage. Philip Newman does all he can with the Reverend Sam, though it's a stock part however you play it.

There are some pretty austere sets by Hugh Durrant—no flowers in the gardens, no pictures on the walls.

RUGBY BY PETER ROBBINS

Kicking around the League idea

LATE LAST season a RFU sub-committee under the chairmanship of John Burgess made recommendations to the full committee on the future structure of competitive rugby in England.

Broadly, it proposed an elitist League system.

That same sub-committee is currently travelling throughout the constituent bodies to sound out their reactions to the report. The West Midlands has already been visited and I understand that there was a fair amount of support from the clubs in the area but some dissent from one of the counties.

The clubs quite rightly wished to preserve a degree of fixture-making autonomy and, for example, whilethe RFL would help by stipulating certain Saturdays for League matches, why should Welsh or other clubs fit in with such a programme? The loss of contact between England's major clubs and those of Wales would be quite disastrous.

Yet another problem facing the sub-committee is the sifting of rational argument from emotional and traditional prejudice. Whatever the members themselves think obviously has a certain value, but they have to consider what is best for the game in England as a whole. They have a difficult selling job and ultimately either leagues will be introduced or the county championship, now in its second season of Thorn sponsorship, will have to be made more important.

One of the liveliest evenings promises to be at Exeter on the 28th where the Southwest will have its chance to put its view and I expect Cornwall to be the more forceful of critics of the present proposals. Rugby has a fine position in Cornwall and this year's president, Mr. John Kendall-Carpenter, hails from Penzance. Although the motorway network has made travel easier, getting in and out of Cornwall is very expensive. Cornwall will not readily agree to a league system because they simply have not got the quality of clubs to take part in such a scheme.

Clubs like St. Ives, Redruth, Camborne, Hayle, and Penzance want to keep their own identity and so the Cornwall committee are bound ot support the present system of club, county then country, on historic and geographic grounds.

I watched Cornwall at Bristol against Gloucestershire and regret to have to report that the standard of both sides was very dispiriting. Gloucestershire won 7—6 but the match could really have gone either way. Cornwall basically lacked the forward bulk to take on the Gloucestershire monolith. Consequently Gloucestershire were able to push Cornwall back in the scrum when it was really necessary. Despite this physical disparity, Cornwall's best manoeuvre was the roling maul which gained them a lot of ground. Tonkin, the Camborne prop, was usually involved and he also did a lot of clearing up at the untidy Cornwall line-out. The St. Ives flanker, Trudgon, replaced Lane before the game and may have secured his place by his lively covering throughout.

The problem was that outside Cornwall had so little to offer in constructive attack. Neither did the other side, for that matter. Pellow made a nice break in the first half but it was Cornwall's young fullback Martin, from Penryn, who really excelled. Derek Morgan, the England selector at the game, saw enough of his catching and kicking to consider him seriously for the English students' team against Queensland next week.

Gloucestershire lost to Lancashire in last year's final but on this form will be very fortunate to get to that stage of the competition this year. They played almost by rote and with such a wealth of possession ought to have scored more even against such resolute defence.

Kingston and Sorrell never really hit it off at half-back and although Sorrell kicked beautifully out of defence, his tactical kicking was most inaccurate. Further he was obsessed by the scissors move with either Thomas or Williams. The incompetence in the Gloucestershire centre played into Cornwall's hands. They brought Carr on the right way into play, but although he is big as yet there is no hint of subtlety about his play.

Several of the Gloucestershire pack seemed to have declined or stood still. For example, the Hesford of Saturday was nothing like the player I saw dominate the match against North Midlands last year.

SOCCER BY TREVOR BAILEY

West Ham in impressive form

WEST HAM not only beat Blackburn Rovers but two goals to nil at Upton Park, but their victory, which was achieved without undue difficulty and with considerable elegance, also enabled them to take over the leadership of the Second Division from the visitors.

The Rovers never suggested that they were anything more than a well-drilled, workmanlike outfit who had deserved to gain promotion from the Third Division, so that it was hard to understand what they were doing at the top of the table.

Admittedly, they were without several key players, including their manager, Howard Kendall, the tantalising McKenzie, the experienced Speight and their chief goal scorer Crawford, while of necessity their entire staff is so small that the cover is inadequate. But never for a moment did they remotely suggest that they were potential First Division material, an indication that the overall standard in the Second Division is unusually low.

Following a highly successful spell as coach with Stoke, Howard Kendall has done exceptionally well in a short time at Ewood Park, despite the handicap of a limited budget, support on the terraces, and players. He has clevely fashioned a team who have obtained results and have also provided attractive, direct football. Like all good managers, he has made the most effective use of the players at his disposal and with his brief, but impressive track record, he must surely become the managerial target of a big club in the near future.

After the unfortunate Castilla affair, in which the behaviour of a minority of their followers brought disgrace to West Ham, as well as costing them a great deal of money, the club could afford to smile after their impressive win on Saturday. They showed a class which must surely guarantee their return to the First Division at the end of this season.

After an indecisive opening period, during which they were caught offside too frequently by a well-drilled defence, and when the absence of Brooking with his ability to change the pace and the direction of their attacks was most keenly felt, John Lyall's team took complete control and, but for two clearances off the line and several near misses, would have won by a much larger margin.

Devonshire, mainly down the left flank, Neighbour down the right, Holland in the middle where, buzzed and bubbled as and Pike here there and everythey tormented the opposition. Devonshire and Pike were especially impressive, not only in their willingness to take on defenders but also in their final pass and they way they raced to receive the return.

This pair set up the first goal for Cross, who is the one six-footer in an unusually small, but busy, group of halves and forwards. The same player was also on hand to convert the second goal after Pike's fierce drive had been parried out.

On this display, it was not possible to judge the efficiency of the Hammer's rearguard who all, none more than their wholehearted skipper, Bonds, displayed an enthusiasm to move forward on to the offensive. Although this is an admirable trait, it can, and occasionally did, expose chinks at the back against a quick counter-attack.

Fortunately they have Parkes in goal who, though he had little to do, exuded the confidence that an outstanding 'keeper can give to the rest of his side because he rules his goal area with the complete authority of a monarch who believes implicitly in the divine right of kings.

In the long term, I rate the acquisition of Parkes as one of the best buys that West Ham have ever made. His keeping will enable them to snatch a point on those occasions when the team is below its best, say, on a very heavy pitch in mid-February. He is one of the main reasons why I shall be surprised and disappointed if they do not return to the First Division.

Ironically, the biggest danger to their not gaining promotion, apart from injuries, stems not from weakness but rather from their undoubted ability.

They are still, it will be remembered, in both the European Cup Winners Cup and the League Cup, while as holders of the FA Cup they naturally hope for another long run. They possess the talent to do well in these competitions, as they are certainly the equal of any of the middle-of-the-table First Division sides and these additional demands could prove fatal in terms of their prime objective.

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Reagan could make it

THERE IS now a distinct possibility that an ageing, former movie actor will become the next President of the U.S. Anyone in Europe, or elsewhere, who has so far failed to take Governor Ronald Reagan seriously as a candidate for the White House would do well to think again. That is not to say that Mr. Reagan is home and dry—there are still three weeks before the election and it would be a rash man who predicted the outcome with confidence at this stage. What one can say, however, is that if the election were held tomorrow, and the opinion polls have any credibility, Mr. Reagan would have a good chance of winning.

Conservative

If this is so, it is not because the vast majority of Americans are enamoured with the idea of a Reagan Presidency. True, the American electorate appears to be in a conservative mood, and Mr. Reagan is making inroads into traditionally Democratic territory, such as, for example, the blue-collar vote. The overwhelming reason, however, why Mr. Reagan has to be taken seriously is simply the inadequacy of the incumbent, President Jimmy Carter. Wavering voters, and there are still many of them, are balancing fear of Reagan against dislike, and in some cases contempt, of a President who has failed to provide leadership and become notorious for changing his mind in a maximum blaze of publicity.

President Carter's gift of promoting himself as his own worst enemy has once again been paraded before the public in the last few days. He was almost certainly right to conclude last week that the nature of his personal attacks on Mr. Reagan were beginning to demean the Presidency and to work against one of his remaining assets—his reputation as a straightforward, nice guy. But he could have throttled back without confessing on prime-time television that his attacks had been ill-advised—in the same sort of way that he announced his discovery, in the aftermath of the invasion of Afghanistan, that the Russians were not wholly dedicated to the upholding of American world interests.

The effect of his latest admission will be to concentrate attention on the style of his own campaign in the coming days, rather than on the policies of Mr. Reagan, against which his maximum fire-power ought to be directed if he wants to win the election. As it is, Mr. Reagan has had it pretty easy for the last three weeks, and has been allowed to portray a more statesmanlike image than the incumbent President. At the moment, there can be little doubt that Mr. Reagan has his nose ahead. The Republicans remain afraid of an "October surprise" in the foreign policy arena that might induce voters to rally to the man who is now in charge. But Mr. Carter's hopes, for example, of securing a spectacular release of the American hostages from Iran can only have faded with the onset of the war with Iraq.

In search of the middle ground, Mr. Reagan has also tempered some of his earlier rhetoric on the American economy, an issue of far more pressing concern than foreign policy to millions of U.S. voters. He still sees the country's salvation in unleashing the private sector, cutting taxes and boosting defence spending. He remains more doctrinaire than President Carter, particularly on the stifling effect of Government regulations on industry and business. But he is no longer talking about unlimited defence spending, he has hedged to a degree on his tax-cutting plans, and he is more prepared to see the point of view of organised labour on issues like occupational health and safety.

Unprecedented

Mr. Carter, by contrast, is still offering little more than middle-of-the-road tinkering with the economy that is not likely to have any major immediate effects. Of course, if Mr. Reagan wins, he is unlikely to introduce his new policies overnight. The President is not all-powerful, and Mr. Reagan could well face a Democratic majority in Congress, at least in the House of Representatives. On his past record, much would also depend on the people he chose to implement his policies. But if Mr. Reagan can maintain his momentum over the next three weeks a significant change in American economic policy will at least be on the cards. Meanwhile, it is worth remembering that a probably unprecedented number of Americans have still to make up their minds. It is hard not to sympathise with their dilemma.

Competing for North Sea gas

THE AVAILABILITY of natural gas liquids from the North Sea provides the opportunity for a substantial improvement in the economics of the British petrochemical industry. The fact that American chemical companies use natural gas rather than oil-based naphtha as the main feedstock for ethylene gives them an important cost advantage; it is one of the factors behind the rise in U.S. chemical exports to Western Europe. In the UK it is desirable that naphtha should be replaced as far as possible by natural gas, both for existing plants and for any new ones that may be built. The problem is that supplies of gas will be insufficient to meet the demands of all the companies which have put forward projects for using it. It is not yet clear how the Government intends to respond to the competing proposals, but there is a danger that political and commercial uncertainty could delay the exploitation of a valuable national resource.

Controversy

The Government has decided in principle in favour of a gas gathering pipeline system which will collect gas from fields in the northern basin of the North Sea. An organising committee is due to make recommendations shortly on the ownership and financing of the system. According to provisional plans, the gas will be landed at St. Fergus on the Scottish coast where processing facilities will be built. Part of the gas—the methane—will be delivered to British Gas for use in the national transmission system. The controversy is over how the heavier hydrocarbons should be used. These include ethane, the preferred feedstock for ethylene production, and liquefied petroleum gases (LPG) such as propane and butane, which can be used as fuel or as petrochemical feedstocks.

One possibility is that the LPG, some of which is likely to be exported, will be moved by pipeline to Nigg Bay on the Cromarty Firth where suitable port facilities can be built. As for the ethane, a spectacular proposal has been offered by Dow Chemical, the U.S. company which does not at present make ethylene in the UK but has a sizeable investment in downstream plants in Western Europe. Dow wants to build an ethane-based ethylene plant at Nigg Bay which would feed derivative plants on the same site.

Against Dow are ranged the so-called "Southern Four," the companies which have ethylene plants in operation or under construction to the south of St. Fergus—ICI, Shell, BP and Esso. These companies are most unhappy at the possibility that Dow might pre-empt the available ethane supplies. They argue that, by modifying existing ethylene plants, they will make use of the ethane more quickly and at lower cost than would be possible with an entirely new complex.

Conflicts

Other contenders include Occidental Petroleum of the U.S. and Highland Hydrocarbons, a Scottish group which wants to build a gas processing plant at Nigg Bay on a "common user" basis, supplying ethane and other products to any companies which bid for them.

Presumably the Government will seek to resolve these issues through the market: that is, the gas will go to those companies which are prepared to pay the highest price for it. There should certainly be no discrimination against new entrants. But before a framework is established in which commercial decisions can be made, a good many technical and organisational questions have to be settled. One of them concerns the role of British National Oil Corporation, which is, in theory, entitled to a 51 per cent participation in much of the gas due to be collected. There are potential conflicts of interest, not only among the private sector companies, but between them and the state-owned bodies involved.

It is vital that the exploitation of natural gas liquids from the North Sea, which should give the British chemical industry a competitive advantage, is not held back by the kind of organisational uncertainty which has plagued the nuclear power programme. Early decisions are necessary so that planning for the very large investments necessary can begin.

GENEVA TALKS

The nuclear arms chess game

REGINALD DALE reports on the strategic arms talks which begin next week. The U.S. Cruise missile (left) and the Soviet Backfire (right) are two of the key bargaining chips in the Geneva negotiations.

THIS WEEK in Geneva, the U.S. and the Soviet Union will be confronting each other across the negotiating table for the first time since the upheaval in their relations that followed the Russian invasion of Afghanistan.

Despite all their other differences, the two superpowers still believe it is in their interest to press ahead with the chequered attempts of the past decade to limit the nuclear arms race—preferably, of course, each to their own advantage.

This time, however, the bargaining chips are not the massive intercontinental ballistic missiles with which the two giants threaten to destroy each other in an apocalyptic conflagration. These, the so-called "central systems" in the euphemistic jargon of the trade, were the subject of the series of strategic arms limitation talks that led to the controversial SALT II agreement which was signed last summer, but remains unratified by a suspicious U.S. Senate.

The new round of talks is to focus on the growing array of medium-range nuclear weapons in the European "theatre." With these the U.S. can strike Soviet territory from European bases and the Soviet Union can hit Western Europe (but not the U.S. homeland).

If the negotiations are successful, they could ultimately lead to a reduction in the number of Cruise missiles that the U.S. plans to instal in the UK and other European NATO countries, in exchange for limitations on the much-feared Soviet SS-20 mobile missile. (This weapon is designed to annihilate selected targets in Western Europe with deadly pinpoint accuracy.)

This it might be thought, is a highly laudable objective. And yet many Western strategic experts regard the talks as "politically imperative but technically mistaken." There is a widespread fear that the West has got itself into an exercise in which it does not really know where it is going and from which Moscow can only benefit.

The political case for the talks, in the Western view, is fairly obvious. Last December the NATO countries (minus France) decided to go ahead with the modernisation of their theatre nuclear forces (TNF) for two principal reasons—one military and one strategic. Militarily, there was felt to be a need to replace the Alliance's ageing and increasingly ineffective existing theatre weapons, the British Vulcan and the American F-111 aircraft (both UK-based).

Strategically, it was thought (particularly by the UK and West Germany), that the West must act to counter the growing threat posed by the Soviet Union's sophisticated new "theatre" weapons, the SS-20 and the Backfire bombers. They have no equivalent in the West.

The new Soviet weapons threatened to open a gap in the series of escalating nuclear responses with which NATO hopes to deter a Warsaw Pact attack—the "seamless web" of deterrence, to coin an American phrase.

The West, in other words, might be left with the choice of only two unacceptable responses if, say, Plymouth and Rotterdam were devastated by SS-20s at a time when the Warsaw Pact was already winning a conventional war on the North German plain. It could either launch the final holocaust or do nothing.

But while that scenario might give nightmares to professional players of strategic wargames, it is not necessarily enough to convince the West European man in the street of the need for a new American Cruise missile base just up the road.

Russians genuinely worried by new U.S. weapons

Many Europeans, particularly in the Benelux countries and Scandinavia, believe that there are already more than enough nuclear weapons on or near their soil. They are more inclined than the Americans to believe Soviet arguments that the SS-20 has done no more than even the balance.

The NATO "modernisation" plan (to share out 464 ground-launched Cruise missiles between the UK, West Germany, Italy, Belgium and the Netherlands and replace the 108 Pershing 1 missiles in West Germany with the longer-range Pershing 2) was accordingly accompanied with an offer to Moscow to negotiate. The political aim was to sugar the pill for the two most hesitant countries, Belgium and the Netherlands, and generally convince the Left throughout Western Europe that NATO's intentions were peaceful.

It would, perhaps, have suited the military planners if Moscow had turned down the offer, thus seeming to justify the Western build-up. Either way, it was argued that the "modernisation" decision could not have gone through without the parallel arms control initiative.

Turn down the offer is precisely what Moscow did—at least initially. The first Soviet reaction was to refuse to negotiate unless the West "suspended" its decision to instal the missiles; Moscow then said it would only talk if the U.S. Senate first ratified the SALT II Treaty; but finally, when Herr Helmut Schmidt, the West German Chancellor, visited Moscow in July, President Brezhnev agreed to start the talks—though not to conclude them until SALT II had gone through. It looked like an important Soviet concession, and was duly presented as such by the West Germans.

In fact there were many good reasons for the Soviet Union to accept the offer—once it had become clear that stalling was not going to persuade the Alliance to alter its decision. Indeed, Moscow has already achieved a small but significant success.

For, while the Alliance as a whole has not changed its mind, Belgium has now joined the Netherlands in effectively "suspending" its decision to participate in the scheme.

The Belgians say that they will not finally decide on accepting their share of missiles until they have assessed progress in the negotiations (the Dutch are not due to consider the matter again until the end of next year anyway) and there is some anxiety in the West that the whole plan could begin to unravel. West Germany has made it plain that it will not be the only Continental country to host the new missiles, leaving a heavy responsibility on a future, as yet unknown, Italian Government if Belgium and the Netherlands should drop out.

Ideally, of course, the Russians would like to use the talks to negotiate away the entire NATO plan—or create political circumstances which could force its withdrawal—while still retaining a sizeable number of their own SS-20s. Failing that, they clearly want to circumscribe the NATO deployment as tightly as possible.

It is not just that the Rusians want to maintain the "theatre" superiority they have gained with the introduction of the SS-20 and the Backfire. They are genuinely worried by the new American weapons. They do not know, in the American phrase, the "outer limits" of the Cruise programme, but they do know that they will have to spend a great deal of money if they are to try to defend themselves against the highly accurate, ground-hugging missiles.

Above all, they feel that the U.S. is getting round SALT limits on its central systems by packing Western Europe with weapons which can reach Soviet territory and will not as things now stand be subject to SALT restrictions. The Americans, they argue with some validity, would not like it if they did the same in Cuba.

But the U.S. is not trying to maintain that the TNF negotiations are totally distinct from SALT. On the contrary, the present Administration is keen to see the SALT process continued and regards the new round of Geneva talks as the first step towards getting SALT III negotiations moving—negotiations that would include both the "theatre" weapons, and, later, again the two sides' central systems.

Theoretically, it would be possible to proceed with SALT III without waiting for the Senate to ratify SALT II. One possibility would be for President Carter to announce that he will adhere to SALT II, as indeed he has already done, on an interim basis, and forget about the Senate. That, however, would be an uncomfortable political course, which in any case conflicts with Moscow's desire to see the Treaty formally ratified. It also presupposes that President Carter will still be in the White House.

If Mr. Reagan wins in November, it will be a whole new ball game. According to one school of thought, an unashamedly Right-wing President would be better placed to deal with Moscow on arms control, in much the same way that President Nixon was able to forge new relations with China, unperturbed by accusations that he was selling out to Communism.

But it is not at all clear that Mr. Reagan would want to go down this road. He will certainly not accept SALT II, for example, as it now stands. Even if he wanted it ratified, he would first seek changes, whether substantial or cosmetic, which the Russians may not be prepared to negotiate.

If only for this reason little is likely to emerge from Geneva, other than a general clearing of the procedural terrain, before the U.S. elections. But there are difficult hurdles to be cleared before genuine negotiations can start—not least of which is the actual types of weapons that are to be included. While the Americans want the talks to cover only what they call the most "dynamic" elements of the equation — the land-based medium range missiles on both sides—the Russians are insisting that all American Forward Based Systems (FBS) must be included.

Soviet definitions of FBS—essentially American weapons outside of the continental U.S. which can reach the Soviet Union—have varied over the years. But for this purpose it would certainly include all American nuclear-capable aircraft in Western Europe, whether land- or carrier-based, and might also include shorter-range missiles and nuclear artillery. For the moment the Russians do not appear to be trying to include the British and French strategic deterrents on the American side—though they will almost certainly try to bring them in at a later stage of SALT III, if past form is any guide.

A concession Washington has long resisted

The Americans argue that if aircraft are included, the talks will get bogged down in interminable wrangles about which types of aircraft count and which do not. There are obvious problems. The same carrier-based aircraft may be able to hit the Soviet Union from the Mediterranean but not from the Atlantic. If aircraft are pulled out of the European "theatre" to comply with negotiated limits, they can always be flown back in again at the drop of a hat. Even if the negotiations concentrate on the "easiest" problem, the land-based missiles, the Americans believe that the talks could take two to three years on a "realistically optimistic" forecast. But they may find it hard to resist the logic of including at least one Western aircraft, the F-111, which pretty obviously qualifies as part of the Alliance's "theatre" nuclear forces, thus conceding the principle that at least some FBS are a valid subject for SALT-type negotiation, a concession that Washington has long resisted.

In fact the questions facing the West in these negotiations are almost endless: what is the maximum acceptable level of Soviet SS-20 deployment and what concessions are worth making to achieve it? Are we aiming at common ceilings on both sides, and if so should there be equal numbers of warheads (which would benefit the West) or of launchers (which would benefit the East)? Is equality—important politically for the Americans—either necessary or achievable? How would an agreement be verified, and what about technical problems like the Russians' ability to reload their SS-20 launchers any number of times?

Throughout the negotiations, or at least in their early stages, the Americans will be trying to trade chips they have not put on the table (the Cruise and the Pershing 2) against Russian chips that are already there — the SS-20s and the older SS-4s and SS-5s. The Russians are steadily increasing their stack of chips by increasing SS-20 deployment by one every five days, while maintaining the older systems that might otherwise have been phased out. But NATO's Cruise deployment is not expected to be completed until 1989, by which time many West European governments may have been tempted to change their minds.

There could be something in it for the West: if only for planning purposes, it would be useful to establish a fixed maximum total for the SS-20s and the numbers of warheads permitted for medium range missiles. (The SS-20 has three, the Cruise and Pershing only one each). But the result could also be the codification of a degree of Soviet superiority at "theatre" level.

That prospect is even more worrying to Western strategic planners at a time when SALT has achieved rough balance between central strategic systems and Soviet technological advances are undermining the West's traditional superiority in short-range battlefield weapons.

The risk is that West European governments will be lulled into a false sense of security by the very fact that negotiations are taking place—regardless of their outcome. It may be that the use of SS-20s will never ever be threatened, regardless of whether or not there are 572 new American "theatre" weapons in Western Europe. There are many views as to how the concept of deterrence can best be translated into the deployment or non-deployment of physical hardware.

But the evidence so far is that the Russians, the acknowledged chess grandmasters, have thought through their next moves rather further than their Western opponents.

MEN AND MATTERS

The elevation of St. Johnston

A successor has been chosen for the captain's chair at Britain's largest container shipping company, Overseas Containers Ltd. (OCL). While present chairman Sir Ronald Swayne remains silent on the matter, the authoritative word from below decks is, that 49-year-old Kerry St. Johnston, once deputy chairman at OCL until his departure for the Far East in 1977, is earmarked for the job.

Former OCL heir-apparent Keith Reynolds died in a scuba-diving accident off Hawaii two years ago. Since then, Sir Ronald has shouldered the roles of both chairman and chief executive, while suffering from ill health. His retirement is anticipated within a couple of years.

St. Johnston was one of Ocean Steamship's "student princes" when in 1965 the company joined with P & O, British and Commonwealth, and Furness Withy to form OCL. Furness has since dropped out, following its take-over by the C. Y. Tung group earlier this year.

As a founder director of OCL, St. Johnston played a key role in both the early growth of the company and the general development of container services for international trade. But, in a surprising move, he resigned to head up a Singapore-based investment bank, Private Investment Company for Asia. It was shortly afterwards that former P & O man Reynolds was brought into OCL as managing director, until his grooming for the top job was so tragically curtailed.

The energy gap

Long on hauteur, but sometimes short on the courtoisie normally associated with a title, Viscount Itienne "Stevie" Davignon is the nearest thing to a bionic Commissioner that the Eurocrats of Brussels are ever likely to see. His power-packed performance as Industry Commissioner will reach new heights this month if the Nine give him and his colleagues authority to cut back EEC steel production.

Looking to the future, which in Brussels means when the new Commission, almost certainly featuring Davignon, kicks off in January, Davignon is said to be considering making a bid for both Industry and Energy portfolios.

Present Energy Commissioner Guido Brunner won a Parliamentary seat for the Free Democratic Party in the recent German elections and he is widely expected to head for home at the end of this month instead of seeing the year out in Brussels. While Brunner was off on the stump, Davignon took a watching brief over his portfolio which, if Brunner goes, he will probably retain.

An amalgamation of Industry and Energy portfolios would give Davignon a timely base to punch nearer his political weight. For with many of his colleagues looking likely to be returned to Brussels by their government, the traditionally "heavy" portfolios like Finance or External Affairs seem set to be retained by their present holders.

Stamping ground

In my own view, if the Post Office were simply to issue "indexed" postage stamps whose value kept pace with the increase in its own postal charges, they would prove to be a far more popular investment than oil-bonds.

The possibility is, I fear, a distant one and in the absence of such guaranteed performers, financially-minded philatelists continue to stick to more arcane portfolios, which, if assembled with due skill, can offer substantial "returns to spender."

The world's largest stamp dealer is Stanley Gibbons, bought by Letraset in 1978. Now, logically, it has set up shop in lavish style in the world's biggest stamp market—the United States. Some 20m Americans spend $1bn annually on the precious paper slivers and prestige investment house Salomon Brothers has turned its eyes briefly aside from its habitual study of government bonds to pronounce stamps one of the best-returning tangible assets of recent times.

The American plunge is Gibbons' largest overseas venture to date. The right sort of customers should certainly be attracted by its choice of Manhattan offices—in Olympic Tower, which my tweezer-wielding American correspondent describes as "a swish mid-town apartment-cum-office-block on Fifth Avenue, owned by Onassis interests." "It is," murmured a Gibbons' spokesman, evidently practising the local lingo, "a class act all the way."

Lactic asset

A novel marketing ploy from BPC's Macdonald Educational, which publishes "The Dairy Book of Home Management." The price is £1.99 plus three pints of milk, and it comes to your door courtesy of your local milk roundsmen. The profit per volume is tiny. But so impressed are our milk men by its milk-boosting subject matter that they have ordered a mighty 1.25m copies.

Pole position

A small Cracow publishing house hopes this week to reap the benefits of a promise made to it eight years ago by Nobel literature laureate Czeslaw Milosz. The polish emigré poet told Znak's Jacek Wozniakowski that, if permission was ever granted for his work to be published in his homeland, he wanted Znak to put out the first edition. For eight years, Wozniakowski has been pressing the Central Publishing Board for permission. As recently as last month, his requests were greeted with derision.

In the wake of a letter of congratulation from Polish head of state Henryk Jablonski to the laureate, Znak tried again. The by now much chastened CPB passed the buck to the Religious Affairs Office, on the grounds that Znak is a Catholic publisher. At the RAO, Wozniakowski was told that only the minister could decide, and he was ill. Could he be contacted by phone? "The minister is too ill for that," came the reply.

Znak now awaits an imminent decision. But all this bureaucratic haggling is felt to be rather academic over at Nowa, a dissident publisher. The much-harassed house has succeeded in putting out six volumes of Milosz's work, totalling about 15,000 copies.

Ad infinitum

Returning to the question of Post Office finances, I am encouraged by a recent suggestion from the Telephone Users' Association that the self-styled "British Telecom" should introduce advertising to its information services. "Thus food producers could be attracted to the dial-a-recipe service, sports manufacturers (sic) to sponsor the cricket scores . . ." it argues with eminent good reason.

A splendid idea, but why let it rest there? Let us have income-tax forms sponsored by chartered accountants, underground train tickets by bicycle-makers, tobacco health warnings by undertakers, let us have even our paper money jollified with slogans such as "Spend this pound at Whizzo Discount, where your money goes further." We have only just begun.

Downside risk

A group of American businessmen visiting the UK as guests of the Department of Industry were regaled with the following introduction: "Last year, British industry was on the edge of the precipice. This year it has taken one step forward."

Observer

FINANCIAL TIMES SURVEY

Monday October 13 1980

European Motor Industry

There are clear signs of stress in the industry, on which 8m workers depend for their livelihood. Output is falling and Japanese competition is growing stronger. Manufacturers insist that productivity must be improved and trade unionists say their employers should seek greater co-operation among themselves.

Japan brings hard times

By Kenneth Gooding

Motor Industry Correspondent

IS THE European motor industry, which last year provided the world with more than one-third of the 31.65m cars produced, in a state of crisis?

Trade unionists throughout the EEC insist the answer is "yes." And they point to the widespread short-time working and the growing number of redundancies and job losses so far this year as evidence.

The manufacturers so far take a less-pessimistic view. The European industry, they suggest, is suffering simply from the normal cyclical downturn in demand which might be expected after a couple of good years. But this is being exacerbated by the actions of European governments determined to stamp out inflationary pressures in their economies.

However, the manufacturers add a warning that the industry could be pushed into crisis if the Japanese car makers do not change their current policies.

Crisis or not, the signs of stress are clearly apparent.

To take some obvious examples. Fiat's predicament was spotlighted by its decision, after all, not to take over the rest of SEAT in Spain and the subsequent promise of a substantial capital injection from the Italian Government.

There is evidence that Fiat made preliminary approaches to Peugeot SA, the Peugeot, Citroen, Talbot group, with some kind of merger in mind. Apparently this did not get very far because the more the potential partners found out about each other the less logical a link-up looked.

Peugeot itself is in the middle of a major shake-up. The decision to amalgamate the sales and distribution operations of the Peugeot and Talbot car businesses — representing a radical change of direction from the time of the acquisition of Chrysler's European interests only 18 months ago—promises to be only the first phase in the group's restructuring programme.

We have also seen Ford quietly shelve its plan for a new car assembly business to be set up in Portugal. Ford of Europe insists that this has nothing to do with the pressing financial difficulties of its U.S. parent group. It just doesn't see the need for that extra capacity for some while yet.

And BMW (Bayerische Motoren Werke) has also postponed for up to two years its plans for building a fifth car plant.

In all the circumstances it should not come as a surprise to find that protectionism is finding more and more favour, particularly among the trade unions with members who work for the car companies, but also among some of the manufacturers as well.

The need to help an industry which provides so many jobs is advocated by the protectionist lobby with increasing emphasis.

They point to the fact that 2.5m people in the EEC are employed directly either by the car manufacturers or the component companies that supply them. In all, 8m people earn their living, directly or indirectly, from the motor industry in the Common Market area.

Great damage

The Japanese manufacturers must bear the brunt of the protectionist attack. But, as previously mentioned, even usually-moderate manufacturers maintain that the Japanese need to alter their ways or they will do great damage to the European motor industry.

According to the Committee of Common Market Automobile Constructors (CCMC), which represents all the European manufacturers (but excludes the U.S.-owned multi-nationals), output of new cars in the EEC countries could fall by 10 to 12 per cent in 1980 from the 1979 levels.

Production in the U.S. could be down 20 per cent. Yet by the end of the first half of 1980, Japanese output had jumped 20 per cent on last year's levels.

The impact in Europe itself has been relatively dramatic. The Japanese share of sales in Western Europe has risen from 7.3 per cent at the end of 1979 to 9.6 per cent half way through this year—in spite of continued restrictions in major markets such as Italy, France and the UK.

But the major problems for the Europeans have been in "neutral" territories where the Japanese products have been overtaking everybody else's mainly because the prices charged make the cars seem exceptionally good value for money.

Nowhere has this been more in evidence than in the U.S., where the Japanese have pushed up market share to 22 per cent while the Europeans, mostly offering equally fuel-efficient cars, have made only slight gains at the expense of the domestic manufacturers.

It would be completely unreasonable, however to suggest that the European motor industry's present difficulties are due mainly to Japanese competition.

Perhaps the biggest problem is that there is no such thing as a "European motor industry." What Western Europe has is a relatively large number (for the size of the total market) of national motor companies, each one relying heavily on its own domestic market and each one treating neighbouring countries as "export" markets.

There is over-capacity in the European car industry, which is capital intensive and needs to use its plant at a high rate before the break-even point is reached.

Yet more capacity is going in. General Motors, determined to catch up with its American rival Ford, is setting up a plant to make 270,000 cars a year in Spain, starting in 1982.

GM's attitude can be summed up this way: "There might be too much capacity in Europe but a lot of it is in the wrong places."

Spain and Portugal, in particular, offer greater growth potential than the rest of Western Europe and this has attracted other companies apart from GM.

Renault has signed an agreement with the Portuguese government which involves an 80,000-vehicle assembly plant at Setubal.

And a recent Ford of Europe study suggested that further expansions in capacity are expected to be announced by other manufacturers which could raise the number of cars produced in Spain and Portugal by 600,000 a year by 1985.

Yet the Europeans no longer have such a tight hold on their own markets. Over the past five years the volume of non-European imports sold in Europe has doubled and the share of the European new car demand supplied by European manufacturers has slipped from 95 to 90 per cent.

The outlook is for a further erosion of the European position as major motor industry investments in Japan and Eastern Europe are directed largely towards the Western European market.

In a paper presented to a recent hearing of the European Parliament external trade committee, Ford of Europe estimated that by 1985 car imports to Europe could total 3m, up by 2m units from 1979. Traditional European manufacturers could at that stage be supplying 8.4m cars or less than three-quarters of total European demand.

Weakened

Ford went on to add: "Profits and employment prospects in the European car industry would be severely weakened. Estimates suggest that by 1985 lost jobs and job opportunities directly within the industry could total 133,000."

Ironically, Ford will play a major role in the decline of Europe's export performance and it has linked with a Japanese company to do so. Ford owns 25 per cent of Toyo Kogyo which will provide the future assembly or supply base for Ford vehicles sold in the Asia-Pacific area. In the past these markets have been supplied with car kits mainly from the UK.

Exports from Europe will also be displaced as the European manufacturers build up their U.S. interests.

Renault, which recently took the opportunity to improve the terms of its arrangement with American Motors so that the French group will now acquire 46 per cent of AMC over the next two years, will collaborate with AMC to produce cars for the U.S. market.

Volkswagen turned out 166,000 cars at its U.S. assembly plant last year—more than half the VWs sold in the States—and it expects to have a second plant in production in 1982.

Elsewhere, the Europeans face growing protectionism in the developing countries which want their own assembly operations at the very least—and sometimes insist on the use of a high percentage of local components as well.

A recent paper by the Paris-based Eurofinance research organisation maintained that there could be a world surplus of 1m "export" cars looking for suitable markets by 1985.

The Europeans hope to avoid such a disaster by persuading the Japanese to change their tactics. And they are trying to avoid the possibility of protectionism spreading within the EEC itself by attempting to persuade the European Commission that it needs a properly-defined strategy for the motor industry.

The industry presented its proposals recently through the Liaison Committee of European Car Manufacturers—an organisation which does include the American multi-nationals among its members. Outlining the proposals, its president, Mr. Anthony Fraser, urged that the EEC competition rules should not be used to prevent more European motor manufacturers getting involved in joint research and development.

As for the Japanese—or any other country interested in setting up motor industry operations in Europe—they should be welcomed, but only if they agreed not to create extra capacity where there was already over-capacity.

The trade unions would like to see the European industry restructured. The Federation Europeene des Metallurgistes, representing 7m metalworkers in Europe, insists that there should be much more co-operation between the manufacturers. "And this needs persuasion by Governments."

However, this "persuasion" might not be necessary. The recession could well spark off a considerable reshaping of the industry.

WESTERN EUROPE'S TOP-SELLING CARS IN 1979

		Market share %
1.	Volkswagen Golf	4.6
2.	Renault R5	3.9
3.	Ford Taunus/Cortina	3.8
4.	Fiat/SEAT 127	3.6
5.	Volkswagen Passat/Audi 80	3.5
6.	Ford Fiesta	3.4
7.	Renault R18	3.0
8.	General Motors Kadette/Astra	2.83
9.	Fiat/SEAT 128/Ritmo/Strada	2.82
10.	Mercedes 200 Series	2.6

CONTENTS

Optimists see first signs of recovery

United Kingdom

A DETERMINED optimist might insist that this year has seen clear signs of a revival in the UK motor industry.

BL has launched its Metro on time and from a plant in which the very latest technology has been incorporated and where more flexible working arrangements are in evidence.

Ford's introduction of the new Escort reminded us that the group is still heavily committed to using Britain as an assembly base. Some £207m has already been spent at the Halewood plant where British Escorts are made and a further £137m will be paid out by 1985.

Compared with what might have happened at a plant with a reputation for volatile labour relations, Ford got the Escort into production at Halewood with relatively little trouble. Problems with the new equipment probably accounted for more lost output than the dispute which blew up but was solved fairly quickly.

Rolls-Royce Motors has not spent much more than pocket money in Ford terms—£50m over five years—but its new car, the Silver Spirit, a replacement for the Shadow, is just as important to Britain's prestige car maker's future as the Escort is to Ford. Before long a steady stream of De Lorean sports cars should be coming off the assembly lines in the Northern Ireland plant which has received so much UK government financial aid.

There is good news also about Britain's trade balance in motor products. It swung back into surplus during the second quarter of 1980 after 15 months of deficit. The surplus was £72m against a £128m deficit for the first quarter and one of £287m for 1979 as a whole—the first year that the UK motors account dipped into the red. The positive trend seems to have continued in the third quarter.

The major influence on the trade front has been Ford's decision to keep its UK car assembly plants working more or less normally in spite of the recession and to supply British demand from Britain. As a result it has cut back imports of built-up cars from its other European plants by up to half.

Major importer

In this context it has to be remembered that Ford was not only new car market leader in Britain last year; it was also the major importer. Ford's imports represented 13.8 per cent of the total market compared with the 5.97 per cent achieved by Datsun of Japan, the leading "traditional" importer.

Of the 485,559 new Fords registered in 1979 about 48.81 per cent were assembled outside the UK compared with 35.2 per cent of the 392,366 sold the previous year. Ford fell marginally short of its target of capturing 30 per cent of the 1979 market—it ended with a 28.29 per cent share. The group's target for 1980 is 32 per cent.

To continue with the positive news, the UK industry, represented by the Society of Motor Manufacturers and Traders (SMMT), managed to squeeze further voluntary restraint from the Japanese manufacturers. The latter said they would continue to take a "prudent" view of the British car market—which was translated by the UK delegation as meaning that the Japanese this year would hold their market share to the 11 per cent level it reached in 1979.

The Japanese are going to extreme lengths to make sure they at least come close to this objective. One result will be that Datsun will probably lose its place at the top of the "traditional" importers league table to Renault of France.

On the debit side, however, we have the sad spectacle of a major shake-out of jobs in the industry. Much of it has to do with previous over-manning and the need for a big increase in labour productivity if the UK is to reach the best European standards.

But some of the job losses reflect the gradual decline of car manufacturing in Britain.

BL, of course, accounted for the major slice of the job losses. Some 30,000 have gone in the past three years—20,000 of them since last September. Ford, Talbot and Vauxhall have also called for voluntary redundancies or early retirements and short-time working is widespread this autumn.

The decision by Peugeot of France to restructure its operations by combining some aspects of the Talbot and Peugeot car businesses also carries the prospect of further redundancies before long in the UK.

Talbot UK no longer looks in a position to break even in 1980, as was hoped, after half-year losses of £19.56m compared with £17.43m for the first six months of 1979 and a record £41.14m for the full 12 months. Vauxhall too reported record losses for 1979—£31m compared with a profit of £2m the previous year.

BL's half-year deficit overshadowed these results. The pretax loss was £155m compared with a £20m profit at the corresponding stage in 1979.

Last year Ford's taxable profit reached a record £386m but it is unlikely to come anywhere near that in 1980.

In fact, 1979 was a very good year for car sales in the UK for those manufacturers which like Ford, could meet it. New car registrations reached a record 1.71m, some 3 per cent up on the previous peak of 1.66m in 1973 and nearly 8 per cent ahead of the 1978 total. However, imports flooded in to meet the demand and took 56.28 per cent of total sales against 49.32 per cent the previous year.

The forecast from the SMMT is that 1980 will see registrations down 11.7 per cent to around 1.51m.

While car sales soared last year, car production in Britain fell again, from 1.223m in 1978 to 1.07m. The Economist Intelligence Unit estimates that output will drop below the 1m mark in 1980, to around 950,000, before climbing back to 1m in 1981 and 1982.

Confident

The future of car production in the UK depends mainly on BLs volume car business. Sir Michael Edwardes, BLs chairman, still seems confident that he is achieving what he set out to achieve even though the finer points of detail might differ from original plans.

He and his team are slimming down the company faster than first envisaged, for example.

But the model development programme has been speeded up. And despite the very great difficulties which result from its position as a major manufacturing business and exporter in Britain today when high interest rates and an overvalued currency are causing widespread despondency, even despair, BL has not cut back essential capital expenditure on new plant and equipment, the model programme and research and development.

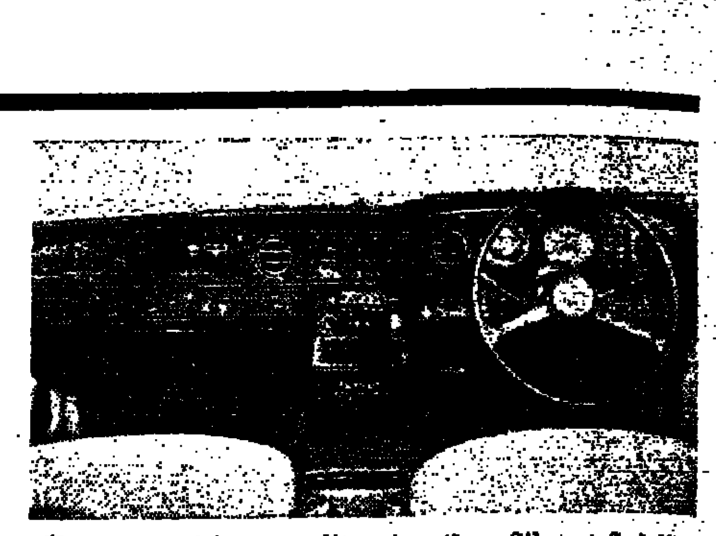
Even before the Metro was fully launched the BL Board decided to give approval to the LC 10 project — a "family" of mid-sized, mid-priced cars. The first, the LC 10, a five-door hatchback, is due at the end of 1982. The second, code named AM2 (for Austin Morris 2) has a conventional three-box design with a boot at the back in order to appeal to the company fleet buyers who are so important in the UK car market. AM2 is due for a 1983 launch.

BL is currently putting together its annual corporate plan for presentation to the Government and this will include a request for more State funds over and above the £130m already promised for 1981-83. Sir Michael's view is that, while Government money should not be used to cover losses, it is reasonable to ask for cash for the model development programme.

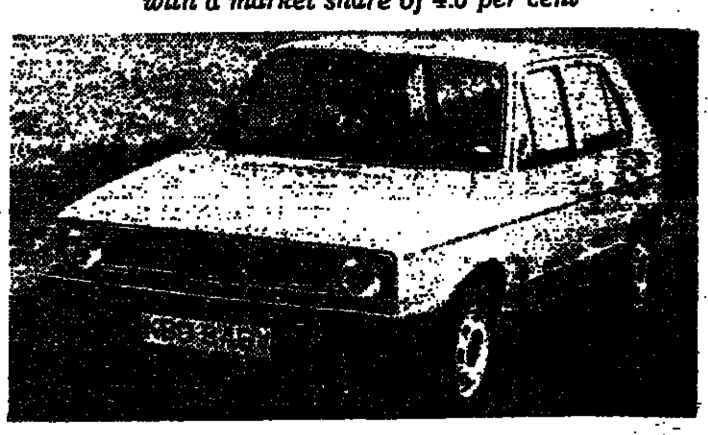
The group will only survive as a volume car producer—albeit a "volume producer of specialist cars" to use Sir Michael's description—if it can rebuild its share of the total EEC market.

That will not be achieved without cars suitable for and attractive to the Continental markets. If the Metro range, the Bounty (made jointly with Honda of Japan) and the LC 10 "family" do what BL expects of them throughout Europe, the car division could be back in the black by the mid-1980s.

Kenneth Gooding



Uncompromising quality in the Silver Spirit, Rolls-Royce Motors spent £50m on its development. Below: The Volkswagen Golf—here fitted with a 1500 cc diesel engine—is Europe's best-selling car with a market share of 4.6 per cent



Big drop in new registrations

W. Germany

AFTER FIVE boom years, the West German motor industry had expected demand to weaken in 1980, but few car makers had predicted that the fall would be so steep. New car registrations in the domestic market dropped by 10.4 per cent in the first eight months of the year, and although exports provided some solace for German car manufacturers in the early months of 1980, foreign sales have since declined too and have been far from enough to support the high production levels of recent years.

The mounting problems confronting German car manufacturers have also been exacerbated by the surge of imports from Japan. Despite the fall in the size of the overall market, Japanese car producers have nearly doubled their share of German car sales in the last 12 months and their success is deeply troubling domestic car markets.

After five years of unparalled success, several German car companies have had to resort to short-time working and in the case at least of Ford and Opel, the West German subsidiary of General Motors of the U.S., jobs have been cut as the only means of coping with the fall in sales.

The one bright spot has been the production of commercial vehicles which so far this year has shown little sign of being overcome by the slowing of the domestic economy and the recession abroad.

Even in the domestic market, registrations of new commercial vehicles has increased marginally by 1 per cent, largely as a result of the continued high level of capital spending by West German manufacturing industry.

The car makers too are maintaining their ambitious capital expenditure programmes despite the recession in world car markets, and the West German automobile industry expects capital expenditure to jump this year to a record DM 9.5bn compared with DM 7.4bn in 1979 and DM 5.7bn in 1978. Expenditure this year will be about a third higher than the investment planned by Japanese manufacturers, and the German industry is clear that it must make a major effort to close the competitive gap in the 1980s.

Penetration

As the Japanese began to mount their assault on the German car market, the first to feel the pinch were other importers, chiefly the French and the Italians. But the penetration of Japanese makes into the German market has now gone far deeper and the Japanese have succeded in recent weeks in replacing the French as the leading car importer.

In August, traditionally a month of low sales, the Japanese captured as much as 15 per cent of the German market, and for the whole of the year they are expected to take more than 10 per cent.

Most ominously, apart from Mercedes-Benz, which is protected by the length of its order books, the Japanese have been the only manufacturers to boost their sales in West Germany this year against the trend of a shrinking market. All seven Japanese car manufacturers represented in the German market have recorded clear gains and Toyota alone is now taking 2.4 per cent of all German car sales.

Domestic German car manufacturers have so far been cautious in calling for any sort of Government assistance to help stem the tide of Japanese imports, but there are signs that this could be changing. As late as the early months of this year German car makers were proclaiming their confidence that they could meet the challenge of Japanese imports because of their technological lead, but recent events have undermined that stance.

A number of motor industry leaders have called on the Japanese to exercise "self-restraint" in their car exports to Germany, and Herr Toni Schmucker, chief executive of Volkswagen, the Federal Republic's largest motor manufacturer, has warned that if the industry's own attempts at self-help are not enough, then the "politicians might have to step in."

More intensive efforts to streamline the industry were most immediately necessary to try to improve German productivity, but he stressed that manufacturers could not be held responsible for the much higher social costs they had to carry. Japanese manufacturing costs were at least 20 per cent lower than German levels, he said in a recent interview.

Self-interest

German manufacturers should no longer flatter themselves with the idea that their products had a pronounced edge in quality over the Japanese competition. But Herr Schmucker also warned ominously that the Japanese should restrain their car exports to the U.S. and to Western Europe out of "self-interest." The Europeans and the Americans could get by without the Japanese car market, but the Japanese would be lost without their overseas sales.

Behind the figures and the rhetoric, however, German manufacturers have also been taken by surprise by the shift in car demand within the German market. Higher energy costs have made fuel economy a big factor in new car purchases and have had a major impact on sales of models of 2 litres capacity and above.

The manufacturers that have been most directly affected are Opel and Ford, which have both cut their workforces by around 6,000 in the last few months.

The resulting programme of early retirement and voluntary redundancy at Ford's plants in Cologne and Düren is likely to cost the company up to DM 135m, with production workers being offered a termination payment of DM 8,000-DM 12,000.

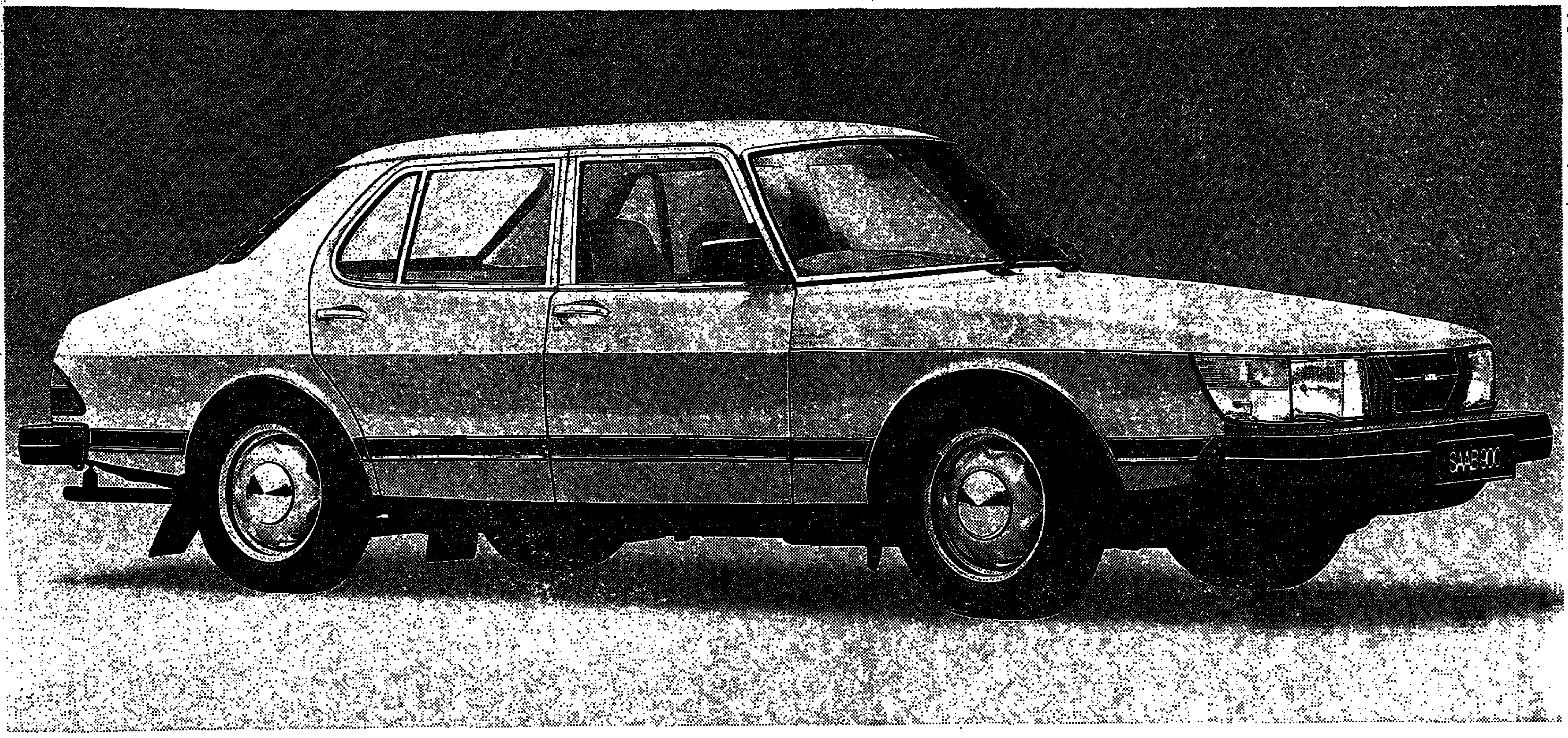
Opel has had problems on a similar scale with sales of models such as the Rekord, Commodore, Monza and the Senator and it warned recently that it could well drop into losses on its operations this year. It also suggests, however, that the market might have reached its deepest point and demand from dealers in July and August point to there being some light at the end of the tunnel.

Volkswagen, the largest car manufacturer in the Federal Republic, has also been hit by the fall in demand for larger models and has had to introduce short-time working at its Audi subsidiary, where sales of the Audi 100 model in particular have plummetted.

Volkswagen, however, like all the other major car manufacturers, is pressing ahead with its massive investment programme, which is expected to total about DM 10bn in the three years to the end of 1982 in West Germany alone.

Kevin Done

IT LOOKS EXPENSIVE. BUT YOU KNOW WHAT LOOKS CAN BE.



Take a look at Saab's new saloon, the Saab 900 Sedan. Take a look at its elegant smooth lines. Pretty sleek, isn't it?

It must be pretty obvious, even at first glance, that our European competitors, and even our dear Swedish neighbours have got a real fight on their hands.

In the past, they may have had it all their own way, in what most people call the 'executive-car' class. But now with this new Sedan, we think they'll be completely outclassed.

It's not just the outer styling that looks luxurious. Inside smacks of luxury too, with new plush velour upholstery in some very swish colours.

Slip into the driving position and you'll find we've slipped in something that you only find in one or two of the world's most expensive cars.

A heated seat, to warm you up on a cold morning. (In our GLE and Turbo models the front passenger also enjoys this added luxury.)

As for the rear seats, we suggest you test them like you do a super settee. After all, they're made by one of Sweden's top furniture makers. So really sink into them, and enjoy the soft comfort of their cushions.

When you study their width and consider the amount of leg room the Sedan offers you, you'll soon realise how easy it is to send 3 back-seat drivers comfortably off into the land of nod.

One other thing which may surprise you about the back seat is that it folds down to give the boot a lot of extra feet. So you won't have to leg it around searching for a roof rack, when you have a long load on your mind.

Of course, if you're really thinking of travelling fully loaded or towing a caravan, then it's doubly reassuring to know that, when you put your toe down, you've got 108 horse power and twin carburettors under your bonnet. Something which could get Volvo 244DL owners with their single carburettor really stamping their feet.

They may also kick themselves when they get their hands on the steering wheel, and find the Sedan has the expensive feature of power steering included in the price.

We're not talking about our GLE model that has a five speed gearbox and fuel injection. Nor are we talking about our Turbo model that has a top speed of over 120 m.p.h.

We're talking about the basic Sedan, the GLS. And as you've already gathered, the basic Sedan has far more expensive features than a lot of far more expensive saloon cars.

Which now brings us to the one thing that will really shock you. The price of the Sedan GLS is only £6,595 (including VAT and Car Tax).

Now do you believe the saying, that looks can be deceptive?

SAAB

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MORE THAN JUST ANOTHER SALOON

THE SAAB 900 SEDAN RANGE: 900 GLS, 4 speed gearbox, power steering, heated driver's seat, twin carburettors – £6,595. Optional extras include: Sunroof. Automatic Gearbox. Metallic paint. **900 GLE**, 5 speed gearbox, fuel injection, power steering, electric front windows, sunroof, stereo cassette/radio, electric aerial, heated driver and front passenger seat, Pirelli P8 tyres, rear seat head rests, solid or metallic paint – £9,043. Optional extra: Automatic Gearbox. **900 Turbo**, specification as 900 GLE except for alloy wheels, TRX tyres, electrically adjustable door mirrors – £11,176. Optional extra: Automatic Gearbox. Prices, correct at time of going to press, include VAT and Car Tax. Delivery and number plates extra.

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EUROPEAN MOTOR INDUSTRY IV

Fiat and Alfa-Romeo are both planning changes which will have repercussions on industry as a whole.

Italy

Domestic market still holding its own

THESE ARE momentous times for the Italian car industry. As manufacturers throughout Europe feel the pinch of declining sales, and increasing encroachment by the Japanese car companies, the Italian industry has chosen its time to attempt to force through changes which will have implications throughout the coming decade.

Both major manufacturers, Fiat and Alfa-Romeo, are in the front line, and the pattern that finally emerges will have incalculable repercussions for the country's industry as a whole.

Ironically, the battle is being fought against the backcloth of a still-booming domestic market. If the standard axiom again holds true, that the Italian market follows everyone else about six months later, then a break in the sharply rising trend of sales may be expected this winter.

But all is still well. Registrations were 18 per cent up in the first eight months compared with 1979 levels, and the final figure for 1980 sales is even predicted at 1.65m units, carrying Italy above the UK as a national car market.

But as the latest half year figures released by Fiat show, that on its own is not enough. Fiat's slice of home registrations rose to 52.4 per cent from 50.3 per cent, but this was more than offset by a 22 per cent collapse *in foreign sales (especially in* Western Europe). Total car sales actually shrank by 2 per cent compared with the first six months of 1979, to 808,000 units.

It is this sharp setback abroad which is the nominal cause of the cutbacks the Turin-based group—the country's largest in private hands—is trying to force through now, in the teeth of total opposition, not only from the unions but also from the bulk of Italy's political parties.

Fiat is seeking 14,469 redundancies, out of a total Italian workforce in its car division of 117,000. Its intention is to reduce production by 20 per cent between now and the end of 1981, to prevent a pile up of costly unsold stocks, which by the end of next year would have reached 432,000 units on present trends.

Simultaneously the group has launched two initiatives designed to underline its own *faith in the future. Despite the* angry protest from its workers which has paralysed its Italian output, and negotiations with the union representatives which at the time of writing this article appeared deadlocked.

The first was the announcement of a joint venture with Peugeot of France to start work on a project for an entirely new fuel economic engine. If all goes well, it will power the small and medium models of a new Fiat (and Peugeot) range of cars.

Then, at the end of September, the group unveiled plans for a complicated capital raising operation which will generate L500bn (£245m) of fresh funds, to underwrite its ambitious investment programme between now and 1985.

But beyond the need to adjust to the present cyclical downswing of the car market, there is another, and far more *important, reason for the very* hard line Fiat is taking in its argument with the unions. At stake, basically, is little less than the ability of private industry to remain in Italy an independent, viable force, which does not rely on handouts of Government money.

The upheavals at Fiat go a long way towards explaining just why so much heat has been generated by the proposed agreement for the country's second car manufacturer, the state-owned Alfa Romeo, to enter a joint venture with Nissan of Japan to construct 60,000 small cars a year. Two plants would be built in southern Italy, while the new Alfa-Nissan would be by value 80 per cent of Italian origin, and only 20 per cent Japanese.

The deal's opponents, led by Fiat, contended that it was tantamount to allowing a "Trojan horse," its belly filled *with ultra-competitive Japanese* cars, into the highly protected domestic market.

Clearly the Nissan deal, of distinctly modest size, will not solve Alfa's difficulties. Last year, it is true, it managed to reduce its losses by a third to L54.9bn, on sales of 217,000 cars in 1979. But the thorn in its side remains the ill-fated Alfa-Sud subsidiary, near Naples.

Output of its plant at Pomigliano D'Arco has never been more than half of theoretical capacity. On one day last month, the Italian Press reported that the chronically high absenteeism rate had reached an all-time peak of 41 per cent.

These kind of figures cast a severe doubt over the recovery plans eagerly touted by Alfa, whereby the company would be in the black once again by 1983, and of course cancel out the largely successful efforts made to get the concern's north *Italian operations at Arese, close* to Milan, on a sound financial footing. They also made it hard to understand why Nissan, whose productivity is among the highest of all, should ever have shown itself so keen to establish its foothold in the south.

Rupert Cornwell

Spain

Sales down and profits squeezed in worst year

THIS IS the worst year that Spain's motor industry has ever experienced. With only rare exceptions sales volume has slumped and profitability has been squeezed. In the case of the more vulnerable producers like SEAT losses have never been so heavy. The only small comfort is that European producers as a whole are having a bad time.

In the first six months of the year car sales dropped 17 per cent to 251,000. But this decline understates *the downward* trend. June, normally considered a good month for sales in advance of the summer holidays, witnessed a 20 per cent drop over the corresponding month last year.

The biggest falls in sales have been among those producers with either no, or a limited, range of small cars. For instance, Talbot, which offers the 150 and 180 models in Spain, has seen sales drop back by 39 per cent. Renault on the other hand has increased its sales by 17 per cent and increased its share of the market by almost 10 per cent to nearly 40 per cent, largely because of the attractions of the R5 model. SEAT meanwhile continues to struggle, with sales down 32 per cent and its market share dropping almost 5 per cent to 26 per cent.

The first half of the year has also witnessed the extraordinary spectacle of SEAT — the country's biggest potential producer — dropping behind Renault in production. The fall would have been more substantial had not SEAT been able to pick up export markets. Indeed in the first half of the year SEAT sold more cars abroad than at home. Again this is unprecedented. Exports accounted for 54 per cent of total sales. The group is hoping that in the second half of the year domestic sales will pick up with the launch of the Panda model produced from new facilities at Pamploma and put on sale this autumn.

The eyes of the industry continue to be focussed on the problematical future of SEAT. Following Fiat's refusal to go ahead with its plan to take over full control in May, SEAT's fate has been in the melting pot.

Committed

For the moment the Spanish Government is committed to the survival of SEAT, which employs 32,000 and indirectly provides jobs for up to 250,000. But both the Government and the SEAT management (now reverted to Spanish hands after nine months of Italian control) know that SEAT cannot survive in its present form as a "Spanish" company. Therefore the question is: who will be the new partner?

INI itself turned first to the Japanese producers, Toyota and Nissan, both of which have been sniffing around the prospect of moving into Spain. Nissan itself earlier this year bought into Spain by acquiring the 36 per cent stake held by Massey Ferguson in the agricultural machinery and light vehicle producer Motor Iberica.

The industry believes that the Japanese attitude will be decisive. Here speculation continues to surround Motor Iberica. It is almost inconceivable that Nissan will content itself with a mere 36 per cent stake.

Just as important, Nissan—if the deal with Alfa Romeo in Italy finally does prosper—is believed likely to provide some form of tripartite link-up with Motor Iberica. The latter itself once built vans in Spain under an Alfa licence and contacts have continued. Equally, if Nissan is truly interested in SEAT then the shape of these two Spanish companies could further change.

Against these imponderables there are a number of clear developments. The most important is General Motors' commitment to use Spain as a major *new production centre for both car bodies and components for* the European market.

Ford appears for the moment to have put on ice any plans for expanding the plant at Almusafes, currently producing the Fiesta. Last year Ford was actively considering Almusafes as one European site for the new Escort model but it seems that reduced demand projections and the tight state of the industry have inhibited such expansion.

On the industrial vehicle side Daimler Benz has finally wound up almost two years of negotiations to take a majority holding in Mevosa. This company, one of the few in the INI portfolio to operate at a profit, produces light industrial vehicles and has the concession to import Mercedes. Over the *next three years Daimler Benz will integrate this company and* invest in modernisation of the plant.

On a large scale, International Harvester is poised to make a very substantial investment in Spain by acquiring a majority stake in the heavy vehicle producer ENASA (controlled by INI) and building a new engine plant. It could plough up to $600m into Spain if the full deal now under consideration goes ahead.

Robert Graham

Output drops but confidence remains

Sweden

"GUARDED OPTIMISM" is the signal from Sweden's car makers this year as they follow the rest of the European motor industry into recession. Production has been reduced and sales are falling, but in declining export markets, leading producers Volvo and Saab-Scania have maintained and in some cases even increased their shares.

Both manufacturers continue to earn good money on their heavy truck businesses but Volvo Car profits tumbled during the second quarter of this year, and managing director, Mr. Pehr Gyllenhammar warned in August that the car operation would be an even heavier burden on group earnings during the second half.

Problem

Volvo's Dutch factory, producing the medium-sized 340 models, continues to be a problem for the company. The attitude at Saab's Linkoping headquarters is rather more confident, thanks mainly to the success of the new 900 models, which carry higher profit margins, and of the Turbo engine.

Sweden's car makers produced a record 403,800 units last year, with retail sales reaching 384,275. Output this year will be 14 to 15 per cent lower, with Volvo reducing its programme from last year's 320,000 to 267,000.

After the turmoil of the late *1970s, during which an attempt* to merge Volvo and Saab-Scania broke down and Volvo's shareholders blocked the sale of 40 per cent of the company to Norwegian interests, the Swedish car makers' long-term strategies have taken firmer shape through links with larger European manufacturers.

At the end of last year Renault of France took a 10 per cent holding in Volvo Cars. This will be extended to 15 per cent in the middle of next year *and can be raised to 20 per cent* in 1985/86. From Volvo's side co-operation with Renault will give access to the French company's research and product development and the prospect of achieving economies through the joint sharing of components.

Saab has linked its future with Fiat's subsidiary Lancia. Currently this has given Saab a share in the Lancia Delta, Europe's car of the year in 1980, and its adaptation to the Saab-Lancia 600 with a greater Saab profile for sale in the Nordic countries.

While Volvo and Saab have been thrashing out these answers to the crisis which threatened to swamp their car businesses in the mid-1970s, Swedish politicians and unions remain nervous about the future of the industry.

In a recent study into Swedish car component suppliers the State Industrial Board pointed out that 10 out of every 1,000 Swedes depended for their living on Volvo and Saab. By comparison only seven in every 1,000 Japanese and six in 1,000 Americans rely on their national car companies.

The chief executive of Saab Cars, Mr Sten Wennlo, was named Sweden's marketing man of the year for his success in launching the turbo engine. But the smaller Swedish manufacturer's optimism is based chiefly on faith in its technological skills.

After the introduction of the turbo engine and the launching of the new and larger 900 Series in 1978, Saab followed up this year with a four-door saloon version and presentation of its APC engine, a second generation turbo. APC stands for automatic performance control, an electronically regulated system which allows the engine to run on fuel of any octane without adjustment.

Saab claims that the APC engine cuts fuel consumption by 8 per cent at the same time as it retains the Turbo's ability to increase acceleration during overtaking by 20 per cent. The new engine will be available on the 1982 models.

Saab has a theoretical capacity of only 100,000 cars a year. It produced 83,800 in 1979 and *was able to tell Saab-Scania* shareholders that their car business was in the black for the first time in several years. This was undoubtedly the result of the introduction of the 900 models which accounted for over 60 per cent of total output and which carry a profit margin close to double that of the older models.

This year Saab will build between 75,000 and 80,000 cars, depending on how many of the new 900 saloon it manages to *make. Production* of the saloon was held back by the Swedish strikes and lockouts in April and May. The drop in overall output is relatively small when it is recalled that Saab this year has stopped producing the old 96 models, of which it made 8,800 last year.

Low costs

One of the most fascinating features of Saab's present comeback is the small development costs involved. For instance, an investment limit of SKr 50m ($12.3m) was put on the design, technical development and tooling up for the new saloon. Saab opened up a new body shop two years ago when the 900 models were introduced: the total investment, including design and technical development of the 900, was SKr 150m.

Volvo has been more heavily hit by the decline in the car market. Its Gothenburg car plant went on to a three-day working week last month. The management has reacted much more swiftly to the latest recession than it did to the downturn in the mid-1970s. It aims to avoid the mistake made then, when production continued at a high level and stocks of unsold cars mounted.

William Dullforce

Belgium

Optimism in the longer term

BETWEEN the turn of the century and the outbreak of World War II Belgium fathered a dozen or more different motor manufacturing ventures. The best-known was the Minerva, which was in production until 1939, the most unexpected probably those models built by Belgium's manufacturer of Browning weapons, the Fabrique Nationale des Armes de Guerre, or FN. But output was low, Belgium's home market too small to provide a sound base for the industry, and so it collapsed.

Today, though there is not a single Belgian marque in existence, the country has another motor industry which has become of immense importance to its economy. It employs about 10 per cent of the working population — up to 375,000 — and in the last 20 years its share of total engineering exports has grown from 15 per cent to over 41 per cent.

Eight foreign assembly plants make up the Belgian industry, which with a combined turnover last year of about BFr 175bn accounted for 10 per cent *of all European motor manufacturing*. With 95 per cent of Belgium's 1979 output of 1.08m units going for export, foreign exchange earnings amounted to over BFr 100bn.

The largest producer is General Motors Continental, whose 340,000 Opels from its Antwerp plant accounted for 31.6 per cent of total automobile output last year. Ford, a close second, produced 29 per cent of total output at its Genk plant for Taunus and Transit models. Next came Renault and Volkswagen with 160,000 and 120,000 units respectively. Leyland Industries Belgium ranked fifth, assembling 52,000 Minis and Allegros at its Seneffe plant.

Sweden's Volvo, while coming next in terms of unit production, is nevertheless the third largest of the motor manufacturing operations in terms of turnover. Its 47,000 units output *is more than 20 per cent* made up of heavy commercial vehicles that raise sales to BFr 22bn.

Lay-offs

With the sharp downturn in economic activity in Europe, more than 40 per cent of the 60,000 people directly employed by the motor manufacturers have been hit by temporary lay-offs and short-time working since the beginning of 1980. And although operations such as those of Renault and Volkswagen have so far been unaffected because of sustained demand for their smaller models, the projections for the rest of this year are that the recession will bite harder still.

During the first half of this year Belgium's motor vehicle production dropped almost 6 per cent from 1979 levels, and the outlook for the next few years is equally discouraging.

But the longer-term future, some observers insist, is not so dark, even though the Government views with some disquiet the drift southwards of motor industry investment in Europe to lower wage economies. By 1985 European demand is expected to have recovered to 11.25m units and the forecasts suggest that over the coming 10-15 years the European vehicle market should grow at a rate of between 3 and 3.5 per cent, as against two per cent in both the U.S. and Japanese markets.

In western European terms Belgium will remain on present trends an attractive location for assembly operations. Although wages are high in the Belgian industry—around 35 per cent above those in France or the UK—they are lower than in the U.S. and West Germany and are considerably counterbalanced by dramatic improvements in productivity over the last decade.

If Belgium can look at competition from other European motor industries with a fair degree of equanimity, the same cannot be said of its view of Japan. In the first half of this year one of the first victims to mounting Japanese sales was the Ford operation at Genk, where the Taunus model has come under heavy pressure from comparable Japanese vehicles. That West Germany has succumbed to aggressive Japanese motor industry selling—Japan had 2.7 per cent of the Federal Republic's home market in 1977, 5.6 per cent last year and currently holds around 9 per cent—is causing considerable concern in Belgium.

Giles Merritt

Shift to smaller cars increases foreign penetration

France

LAST YEAR'S sharp rise in world oil prices did not begin to make a notable impact on the French car market until last spring. But since then, as the French economy has followed the rest of the West into decline, the news from the showrooms has grown steadily worse. Car buyers are being squeezed out by high finance rates and reduced pay packets; and those that are still renewing their vehicle are showing a marked shift in taste towards smaller vehicles.

All of this was predictable enough. But the change in the *sales pattern has also had some* curious side-effects. Foreign cars have increased their penetration this year in a way which, while not yet alarming to the French producers, marks a distinct upward shift from the virtual stagnation of recent years. More important, the Peugeot group has come under enormous pressure, losing sales both to importers and to Renault, its state-owned rival.

Under attack

The decline at Peugeot, with sales down by about 20 per cent on last year, contrasts sharply with its steady development in recent years and the dramatic successive takeovers of both Citroen and Chrysler Europe, now renamed Talbot. This expansionary phase put the Peugeot group well ahead of Renault in the French market and in a dominant position in Europe. During this year, however, Renault has overtaken the group in France, while Peugeot's position as leading European manufacturer has come under serious attack.

Peugeot has been forced to respond to *this fall in its* performance by virtually dismembering Talbot. During the next four months all the 950 or so main dealers distributing Peugeot and Talbot cars in France are to be brought together to sell cars coming from each manufacturer. In due course the dealerships are *expected to be welded together* physically, through a series of takeovers, mergers and reallocation of territory.

The same process is to be undertaken in West Germany, Italy and Belgium, the main export markets, with an importing *organisation coming* directly under the authority of Peugeot. In the UK, where Talbot is much the stronger company because of its production facilities, the fusion will be under the direction of the Talbot management.

This sales reorganisation is to be accompanied by a total restructuring of Talbot which effectively destroys the company as an independent operating unit within the group. Its component production subsidiaries are to be brought directly under Peugeot, along with its overseas companies. The rump of the business remains simply as a car manufacturing unit in France.

For the time being at least the Talbot marque name, on which a great deal of promotional money has been spent since the takeover, will remain. Peugeot says that the Talbot range slots neatly between its own models, and that each will support the other in the showrooms. But competitors are openly sceptical that the Talbot name will be kept indefinitely. It is widely expected that in the longer run Peugeot will gradually absorb what is left of the old Chrysler business.

Already the reorganisation means that Peugeot's strategy for Talbot, designed to create a European-style General Motors, with three marques running simultaneously alongside each other, has failed. Only two years *ago, in the first flush of* the takeover, Peugeot argued that Talbot would give the group economies of scale upstream in manufacturing components, but greater impact in the market place because of the three different styling choices being offered to customers. It has not worked like that, at least in today's difficult market conditions: "Renault can put all its efforts into one concentrated selling campaign; Peugeot has to split its budget three ways" is how one critic puts it.

Talbot's difficulties have been *undoubtedly* compounded by the sudden change in the market which followed the oil price rises of last year. The company was left without a really small car to face the shift in the market towards the bottom end of the range. Thus in the first eight months of this year, according to provisional figures, its sales dropped by 33 per cent in France, leaving it with only about 6.5 per cent of the market.

In Europe as a whole its sales were down by about 30 per cent, and output has so far been cut by 17 per cent, with more lay-offs in prospect.

Given Peugeot's view that the market will not change essentially before the middle of next year, it was clear that action had to be taken. But the rest of the group has also been faring badly. Automobiles Peugeot has seen its own sales in France slide by 18 per cent this year, and Citroen by 16.5 per cent. By the end of August, the overall market share of the three marques which made up the group stood at about 36.5 per cent against Renault's 39.5 per cent. In Europe as a whole only Citroen has been able to maintain its position this year against the onslaught of overseas competition—and Citroen is to continue as it was, as an independent subsidiary of the group, competing directly with the rest while sharing some component resources.

Where Peugeot has lost this year, Renault has gained, stepping up its French sales by almost 11 per cent in the first eight months. Renault's strength lies in its wide range of up-to-date models, particularly the R5, Europe's outstanding small car of the moment. In France, this model has outpaced all competitors, and overseas it is providing an effective spearhead for sales at a time of soaring petrol prices. At the same time the company has steadily innovated to face the crisis, with first diesels and now turbo engines, to say nothing of the Fuego, a smart fastback which is relatively economical and has captured about 3 per cent of the market.

While the rest of the French industry was cutting production and putting plants on short time during the early months of the year, Renault was going in the opposite direction and increasing output. There are indications now that Renault also is being touched by the crisis and will have to moderate production. But in the first five months *of the year its French output* went up by 15 per cent to 685,000 units, a clear record for the group.

Opportunity

The trend towards smaller vehicles has also given importers the opportunity to increase their sales in France for the first time in several years. Whether this change will be permanent remains to be seen, because the trend became really noticeable only in July and August, when imported marques, according to provisional figures, captured almost 30 per cent of the market, about 8 per cent more than a year ago. Overall imported sales are only up by about 2 per cent for the first eight months, to 24 per cent, but this is still disquieting.

Importers have apparently been doing well because of their ranges of small cars (which explains the success of Volkswagen this year), or of keen pricing *(a reason for Fiat's increased* sales). At the same time, the Japanese manufacturers appear to be making a push in France this year, moving up towards the 3 per cent market share which the French authorities effectively set as a limit on their sales in France.

Like other international car companies, however, the French producers are facing equally strong pressure from the Japanese outside their home market. In particular, Peugeot has come up against increasing competition in Francophone North Africa—the most recent figures suggest that Japanese car exports to these areas have overtaken the French while even in Europe the French have felt the growing impact of Japanese competition. M. Jean-Paul Parayre, chairman of Peugeot, said recently that the Japanese had "abandoned all prudence" in deciding on a ruthless export policy which had led to a 30 per cent increase in their car sales in European markets this year.

It is partly because of this mounting difficulty in selling in traditional export markets that the French manufacturers are now making a big attempt to establish a firm foothold in North America, which they see as a complementary free market to that of Europe. Both Renault and Peugeot have decided to make this push by way of linking up with U.S. producers which already have extensive dealer networks and the capability to manufacture European-designed products in their own plants.

Terry Dodsworth

WEST EUROPEAN CAR PRODUCTION ('000s)

	1979	*1980	*1981	*1985
W. Germany	3,933	3,600	3,500	4,000
France	3,222	2,900	2,800	3,350
Italy	1,481	1,350	1,300	1,550
United Kingdom	1,070	950	1,000	1,000
Spain	966	950	980	1.[illegible]50
Sweden	297	260	260	280
Belgium	257	240	230	270
Netherlands	90	85	80	100
Total	11,316	10,335	10,150	11,800

*Forecast. *Source: Economist Intelligence Unit.*

GM's new engine plant will aid trade balance

Austria

DOES IT make sense *for small* land-locked neutral Austria, bordering on two Warsaw Pact states in the east, to subsidise an investment project launched by a giant multinational motor company whose turnover is larger than the country's entire budget?

Why should one pump taxpayers' money into a controversial plant built by a U.S. concern in the Vienna conglomeration with an acute shortage of labour? Would not it be more sensible to promote Austrian producers of high-quality specialised engineering products?

These and similar questions have been repeatedly raised publicly and privately by commentators, businessmen and even some unionists in connection with the agreement signed by the Federal State, the Municipality of Vienna and General Motors in the summer of 1979 and in February this year.

Under the original deal, General Motors would have built at Vienna-Aspern an engine plant at an investment cost of Sch 4.5bn (about £155m). The project would have provided 1,500 jobs. In the course of subsequent negotiations, GM decided to enlarge the original plant. Under the final agreement, the plant will turn out *270,000 engines and 385,000* gearboxes exclusively for export. The Austrian side will provide Sch 2.6bn, or one-third of the total costs of Sch 7.8bn. It is now expected that the labour force will be 2,650.

Work started last May on the site, which was once a small *airport serving the capital, and* the plant should go on stream in July 1982.

Scepticism

The U.S. concern pledged to increase its purchases from Austrian subcontractors for its *Opel plant in Germany.* The exports from the new Vienna plant will also contribute to the improvement of Austria's external trade balance. More important still, the GM plant will involve orders for at least 18 Austrian companies and a further group of 17 local companies are under consideration as subcontractors. Socialist Government spokesmen claim that, including the labour force at the plant itself, the GM project will in the final analysis provide jobs for almost 10,000 Austrian workers.

Nevertheless the critics of the project remain sceptical and complain about the discrimination of the small and medium sized Austrian companies. Yet at the same time, Austrian *provinces such as Styriaand* Carinthia would be happy to welcome a second GM plant. The board of the U.S. concern has in turn repeatedly emphasised that other countries bidding for the plant also offered a package of similar subsidies. What tipped the *balance was in the words of Mr.* A. Cunningham, the GM vice-president, "the excellent labour relations climate" and "the high degree of social, economic and political stability."

But the GM project must also be seen in the context of the Austrian motor industry and the deteriorating payments balance. Chancellor Dr. Bruno Kreisky has for a long time supported the efforts to launch an Austrian car industry based on a so-called "Austro-Porsche" plan to be realised in close co-operation with the Volkswagen *Werke.*

In the end, the plan of producing 50,000 relatively expensive limousines mainly for export has been dropped on account of financial considerations and apparently insurmountable service and dealers' problems abroad.

Apart from an assembly venture with Fiat, the Austrian motor industry since World War Two has primarily been a supplier of components for the *large European car producers.* At the same time the rising demand for imported cars has put a growing pressure on the external payments balance. Under the assumption of annual imports of 200,000 cars, the cost would be Sch 14bn this year. Even in the lorry sector the Austrian producers have only a 10 per cent share of the market.

The major exporters of cars to Austria are West Germany (about 50 per cent of the market), followed by France, Japan and East Germany. In the course of the *last* few years, Britain has become a marginal factor with a mere 1.5 per cent.

It was against this background of an irreversible drain on Austrian reserves that Chancellor Kreisky personally had tried to make the idea of an *Austrian-made* car popular. Though the project did not come off, the side effects of the talks with German and Japanese producers are already felt in the balance of payments.

The major car exporters have realised that they should increase their purchases from the local motor industry if they want to remain on good terms with Government and business.

Thus last year exports under the heading of motors and components jumped by 33 per cent to Sch 1.4bn. The Minister of Trade has recently estimated that the value of Austrian deliveries of components for foreign car manufacturers would reach some Sch 4.5bn this year.

Rapid rise

In the meantime, however, exports of the motor industry have risen rapidly in terms of their stake in domestic production and reached almost one-third of the output as against a mere 17 per cent in the early 1960s.

These successes have been closely linked with the international ventures of Steyr-Daimler-Puch, Austria's largest non-nationalised company which dominates the domestic motor industry. With a turnover of Sch 13bn (up 17 per cent) and a production staff of 18,500 last year, Steyr-Daimler-Puch, controlled by the Creditanstalt Bankverein, is one of Austria's three largest industrial companies.

Two major ventures of Steyr have largely contributed to the new feeling of optimism in the Austrian motor industry.

The first is the development and joint production of a four-wheel drive cross-country vehicle by Steyr and Daimler-Benz of West Germany.

The operating company is controlled in equal parts by Steyr and Mercedes. With 96 per cent of the output exported, the net benefit to the Austrian balance of payments will be considerable.

Another important Steyr-Daimler project is the joint production of diesel motors with BMW, the German motor company in the Austrian city of Steyr. At an investment cost of Sch 3bn, the plant should be in operation in 1982 with an annual capacity of 100,000 diesel motors. About 85 per cent of the output will be sold abroad and production staff should be 1,500.

In the lorries sector, Steyr is involved in joint projects in Greece, including the sale of 7,000 military vehicles produced by Steyr-Hellas, the joint subsidiary with the Austrian share this year reduced from 66 per cent to 32 per cent. Steyr-Nigeria in Bauchi, a joint venture with 30 per cent in Austrian hands, will turn out 8,000 lorries and 2,000 tractors per annum.

Paul Lendvai

Japanese 'villains' must be placed in perspective

SOME EUROPEANS have cast the Japanese in the role of the villains of the world motor industry. Hardly a day goes by without the Japanese being castigated by senior European industry executives or vilified by trade unionists. The impression is given that the Japanese are hated, feared and almost entirely responsible for the current near-crisis conditions in the European industry.

Unfortunately, so much emotion has been generated that the facts are often obscured. So what are the relevant facts as seen through European eyes?

For a start there is the remarkable growth achieved by the Japanese industry since it was set up in the 1960s. From only 2.3m vehicles in 1966 output has grown to 10m in 1979.

For the first 20 years the industry was completely protected from outside manufacturers by impenetrable import barriers. As the Europeans often point out, the Japanese industry had reached the size of West Germany's, the biggest in Western Europe, before those formal barriers began to be dismantled.

World car production rose from 30m in 1973 to 33m in 1979 and Japan alone produced about half the extra 3m cars. Meanwhile the European and U.S. growth rates were zero. Europe's share of world car production was down from 38 per cent in 1973 to 34 per cent in 1979 and is likely to go on falling.

Looking at the statistics for individual countries over the five years 1973-1978, car production was up 38 per cent in Japan but only 8 per cent in West Germany, while it fell by 19 per cent in Italy and 39 per cent in the UK.

Over the same period Japanese exports rose 113 per cent, and French exports by 17 per cent. But German exports were 8 per cent down, those from Italy dipped 1.2 per cent and those from the UK dropped by 31 per cent.

At the same time Japan's share of the European market grew from 0.5 to 7 per cent in spite of the strict quotas imposed by Italy and France and the voluntary restraint on shipments to the UK.

In the first half of this year Japan overtook the U.S. as the major vehicle-producing nation. Japan's car output jumped by 20 per cent in the first half compared with the corresponding period of 1979, which turned out to be a record year. But U.S. production was cut by 20 per cent and European output by 10 per cent, leading to widespread lay-offs and short-time working.

What really worries the Europeans is that the Japanese already have announced investment plans which suggest their motor industry will continue to expand rapidly even though world demand for cars will move ahead only rather sluggishly.

"Whereas European manufacturers are conscious of the risks of excess capacity, this is clearly not the case with the Japanese," complained M. Francois Perrin-Pelletier, chairman of Talbot Europe, earlier this year.

According to Ford of Europe's estimates, Japanese vehicle output will reach 14.5m by 1985, of which 9.3m would be cars. Demand for cars in Japan itself, however, may expand by only about 800,000 to 3.8m. With only modest imports and some increase in stocks, Japan would still have 5.5m cars available for export.

Growing protectionism in the Third World will permit only modest expansion, so Japan's sales to the rest of the world would increase from 700,000 to 1.1m. This assumes that the Japanese will go carefully in the U.S. and use some form of voluntary restraint and that, in any case, the U.S. manufacturers will become more competitive in their own market with new and smaller cars. Thus Japanese car sales to North America are forecast by Ford at 2.5m in 1985.

This would leave an export capacity of 1.9m cars to be directed towards Western Europe—that is if no action were to be taken to limit Japanese penetration. That would give the Japanese nearly 16.5 per cent of new car sales in Europe—projected to be 11.56m—by 1985.

It is acknowledged that the Japanese success in world car markets has been achieved mainly because high labour productivity has enabled them to keep prices down. The current European estimate is that the cost of a car when it leaves a Japanese factory is 25 to 30 per cent below that of an equivalent vehicle at a European factory gate.

Comparisons about productivity are difficult to make because of the different ways the Japanese and Europeans operate. The Japanese buy in most of their components and actually sub-contract about 30 to 40 per cent of their production, whereas the Europeans are much more horizontally integrated, making more of their own components and certainly doing all their own assembly work.

But one crude example presented to the European Parliament recently showed the leading Japanese manufacturer, Toyota, had produced 42.8 cars per worker in 1978, compared with Volkswagen's 13.6 and Fiat's 11.2.

The concern felt by the Europeans centres on the fact that the Japanese productivity has little to do with the use of advanced technology within the car plants. If that were the case the Europeans should be able to catch up by using similar, or better, technology.

It is not just automation which makes the Japanese so much more productive. It is the peculiar Japanese approach to life which is an ingredient the Western manufacturers cannot hope to match.

"It is not just automation which makes the Japanese so much more productive. It is the peculiar Japanese approach to life which is an ingredient the Western manufacturers cannot hope to match."

As M. Bernard Hanon, head of Renault's car business, put it: "The U.S., Canada and Common Market countries all have roughly the same objectives of lowering the working week, of giving social protection, earlier retirement, to limit the number of working hours in a year to 1,900 or 1,290 or 920.

"In Japan it is a totally different story and I am very sceptical of asking the European worker to go back to 2,100 hours a year production, no retirement pension, no social security, nothing."

Where the Japanese are more vulnerable to criticism is over reciprocal trade in automotive products. Against the 3.1m cars, 1.42m trucks and 39,000 buses Japan exported last year, it imported only 60,161 vehicles. Yet, as the Japanese point out frequently, Japan has no tariff barriers while the EEC imposes an 11 per cent tariff on imported vehicles.

The problem for the would-be exporter to Japan stems partly from the distribution system in that country, which is many-tiered with each tier needing to make a profit. Then Japan has nine car manufacturers and therefore is the least concentrated (as well as the most competitive) in the world.

On top of that, the Japanese have the strictest exhaust emission control laws in the world, not as a protectionist policy but because there are so many people living in such a little space.

Adapting a model to comply with the legislation and undergoing all the testing required is very expensive. The question is: is Japan, a market of 3.5m, worth the bother? The Japanese do not have to ask such questions about the U.S., where 9.5m new cars a year are sold, or about Europe, with over 10m.

Japan would also find it very difficult to bring the automotive trade account into better balance by buying more components from Europe. One reason car assembly operations are so profitable is that the system relies on a very low level of stockholding in all departments and the ability of component suppliers to deliver exactly the right number of components to the right specification literally on the very minute they are required at the assembly plant. In these circumstances why should the Japanese accept the long pipelines (full of stock) and the long leadtimes sourcing from the West would involve?

Japan needs a healthy motor industry. As it has grown more and more successful, so its role in the domestic economy has become of critical importance. Of Japan's total labour force of 47.95m one in ten is either directly or indirectly employed in a motor industry job. (Those directly involved total around 665,000.)

That is in a country where companies give a "job for life"—which really means until 55. In 1979 the motor industry accounted for 19.4 per cent of Japan's visible exports.

The "transportation machinery and equipment manufacturers" were easily the top industrial group in Japan in 1978 with an output of $94.5bn, beating even food manufacturing's $92.25bn.

In Europe 2.5m people work for either the car companies or their component supplies. Another 8m more are indirectly or directly earning a living from the motor industry.

It is therefore essential for the two to find a way of settling grievances.

This will be tricky in the current protectionist atmosphere.

For example, the Japanese have been given a clear indication that the Europeans are split over the question of whether Japanese companies should be welcomed to Europe on a joint-venture basis. Both BL's deal with Honda and Nissan's involvement with Alfa Romeo have been heavily criticised as arrangements which have let the Japanese motor manufacturers into Europe "by the back door."

The French in particular seem to feel that the Japanese would be liable to take over the European industry in the longer term — given the strength of their home base. Others feel that by welcoming the Japanese to the West—either Europe or the U.S.—with the right kind of safeguards about a high level of local components in the products they produce, the peculiar advantages the Japanese enjoy because they operate in Japan will be neutralised.

For the Japanese this ambivalent attitude of the Europeans poses a major problem. Above all they seem to want to be loved. And they certainly don't want to set up operations in any country where they would not be entirely welcome.

Kenneth Gooding

JAPANESE VEHICLE EXPORTS
(MILLION UNITS)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Total production	5.3	5.8	6.3	7.1	6.6	6.9	7.8	8.5	9.3	9.6
Exports	1.1	1.8	2.0	2.1	2.6	2.7	3.7	4.4	4.6	4.6
Exports as percentage of production	21.0	31.0	31.0	29.0	40.0	39.0	47.0	51.0	50.0	47.0
Cars	3.2	3.7	4.0	4.5	3.9	4.6	5.0	5.4	6.0	6.2
Exports	0.7	1.3	1.4	1.5	1.7	1.8	2.5	3.0	3.0	3.1
Exports as percentage of production	23.0	35.0	35.0	32.0	44.0	40.0	51.0	54.0	51.0	50.0

JAPANESE VEHICLE OUTPUT
('000 units)

	1978	1979	1980*	1982*
Toyota Motors	2,929	3,996	3,300	4,050
Nissan Motors	2,393	2,338	2,745	2,950
Toyo Kogyo	850	971	1,150	1,450
Mitsubishi	973	939	1,100	1,100
Honda	743	802	950	1,200
Isuzu	408	425	465	600
Daihatsu	328	366	412	440
Fuji	305	334	385	420
Suzuki	248	345	380	445
Hino & Nissan Diesel	92	119	116	140
Total	9,269	9,635	11,003	12,795

* Estimated

Overseas operations boost U.S. giants' depleted balance sheets

GENERAL MOTORS has a simply stated but less easily achieved objective in markets outside the U.S.: "to knock the hell out of the competition," in the words of Elliott "Pete" Estes, its president.

With annual sales of about $60bn and world-wide production last year of 8,993,000 vehicles, GM is still undisputably the world's number one manufacturer. It dominates the North American market, and has held on to a 45 per cent market share even as that of its main rival, Ford, has slipped from 22 per cent to 16 while imported small cars have risen to 27.6 per cent.

But that share has been maintained at a price, as GM has raced with Ford and Chrysler to provide the small cars which Americans now clearly want and which the U.S. majors equally clearly have been too slow to provide. This year, depressed U.S. sales and heavy investment to meet the changing pattern of demand mean that GM's new chairman, Mr. Roger Smith, will announce a loss this year of about $800m. Ford's loss is likely to be double that.

Like Ford, GM's balance sheet is being bolstered by its overseas operations. But it has been slower than Ford in appreciating the importance of markets outside the U.S. and developing a suitable overall strategy for them. That has been made easier by the emergence of the "world car" concept, in which one basic design with many common components can be sold in all major markets.

Nevertheless, in the first half of this year, GM sales in Western Europe, mainly of Opels, gave it only 9.4 per cent of the market and sixth place among manufacturers, against 12 per cent and fourth place for Ford.

Saturated

But it is more than a matter of pride that GM is intensifying its efforts to catch up with Ford in Europe. The North American market is close to saturation. Sales may yet be clawed back from Japanese imports, but for longer term growth GM must look overseas.

GM's earlier forecast that European car production would rise to 13.73m by 1985 is now accepted as optimistic—the latest Economist Intelligence Unit forecast is that it will drop from 11.31m last year to 10.34m this year before climbing to 11.8m by 1985—but GM insists that there is scope for growth which has been only delayed by recession and despite the gradual closing off of Third World markets as their own industries develop.

It has backed its conviction with an $8bn overseas investment programme for 1980-81, some threequarters of which is being spent in Europe.

The largest single chunk of the investment is the plant now being built at Zaragoza, Spain, which with an annual capacity of 270,000 vehicles will increase GM's European capacity by about a quarter. It is to be operated by GM Espana and will take GM into the highly competitive mini hatchback arena with an "S"-car to be pitched against the VW Polo, Fiesta, Metro, etc., when production starts in mid-1982.

To that must be added the $3bn, six-year expansion programme to 1982 by Opel, GM's West German subsidiary entrusted with European car development—Bedford in the UK plays a similar role in commercial vehicles—and which includes a new engine plant at Kaiserslautern and a new plaint shop at Russelsheim.

GM has stressed that it intends to compete in Europe as a European producer. This will be reinforced with the launch next year of the J-cars, the most important event so far in GM's world car programme. Replacing the Ascona/Cavalier models in Europe, they will also be assembled in the U.S., Canada, Brazil, Australia and South Africa.

As originally conceived, the J-car was more U.S. than European-oriented. Opel led opposition from GM's overseas offshoots which changed it greatly and the car, due next spring, has a clear Opel design stamp on it.

In the process, the much closer management links now operating between Detroit and European management were made apparent. In the past, GM had been content to leave Opel to itself to design, build and sell cars in Europe—and collect the profits which Opel has consistently remitted for nearly 50 years. But with GM's increased commitment to Europe and smaller cars, Opel has taken on far greater significance.

The old system in which each country had its own management and marketing operation geared to national markets was changed to one where the European production companies were given marketing responsibility wherever their products were sold, and Opel and Bedford given responsibility for developing European cars and trucks respectively.

In Detroit, the old overseas operations division—which had operated virtually autonomously—was given group status and overseas and domestic staffs integrated.

The result has been the elimination of an administrative tier and a two-way flow of executives between Detroit and the European companies. The development of future world vehicles and components is now jointly conducted between overseas and U.S. staff.

That gives Opel management, under its new chairman, Robert Stempel, a greater say in the overall conduct of GM affairs. But Opel executives are also aware that it could be a two-way street: the "full and frank discussions" over the J-car, as one euphemistically put it, highlights the potential risk of Opel's traditional independence being swamped, even if it won on the J-car issue.

In the short term, Opel itself is facing problems. Sales in its main market, West Germany, were down by nearly 20 per cent in the first half of this year against 12 per cent for the market overall—despite the Kadett-producing factory at Bochum working flat out—mainly because of a fall in demand for its larger cars. The arrival of the J- and later S-cars, should, however, strengthen GM's position in Europe considerably.

One of the most intriguing questions concerns the fate of Vauxhall. Last year its car output—as opposed to assembly of Opel-based models—was 58,760, about a quarter of the 1971 level. It also assembled 40,000 cars from Opel kits. But it must remain a moot point as to whether it will eventually only assemble Opel models, or whether GM decides that the UK market is best supplied from Continental plants and Vauxhall is left only with the admittedly important role of developing commercial vehicles.

Although Ford has adopted a far more cautious approach to further expansion in Europe—leaving a string of disappointed European government suitors when it decided not to go ahead with a new "greenfield" manufacturing site last year—the chances are that GM will still not have caught up with it in Europe by the end of the decade.

Ford for a long time has been well represented in European manufacturing. Its overseas, and particularly European operation's—the latter with a current capacity of about 1.3m cars—contribution to group earnings had risen to over 50 per cent—against 15 per cent for GM—by 1978.

However, while Ford has continued to make progress in the UK, and is now the clear market leader with about 30 per cent, like Opel, this year it has taken a beating in the West German market, the second most important in the West with predicted demand of 2.35m units this year. Its market shares this year has dropped from over 12 per cent to 10.4 per cent.

Still waiting

Like Opel, this has been accounted for largely by the fall in demand for Granadas and Capris. It came, however, as the market for small cars was expanding—and while the new Escort was still waiting in the wings.

The new Escort, on which $3bn—$1.1bn of it in Europe—has been invested, should go a long way towards redressing the situation. In addition, replacements for the Cortina and Granada within the next two to three years should give it competitive offerings across the market range.

The new Escort moves Ford further towards the world-car concept in that it is also a central plank for reviving Ford's fortunes in the U.S. But it still does not fit in with the popular "world car" concept of huge quantities of components being shifted around the world to achieve ultimate economies of scale.

The reason is that Ford found it more economic to adapt the car to individual markets than invest in new plant or make suppliers introduce major changes to their facilities.

So U.S. Escort components are being almost wholly sourced domestically, while European models draw on the complex, rationalised supply network which Ford has had operating successfully in Europe for some years.

John Griffiths

Renault may lift stake in AMC

ABOUT THREE weeks ago Renault announced it was increasing its stake in American Motors, the deeply troubled fourth-largest U.S. car manufacturer.

The move, costing Renault $200m, lifts its holding to 46 per cent and this may increase to 49.9 per cent by the end of this year. It comes on top of the $150m Renault agreed to commit last year to a co-operative deal with AMC to build a French-designed medium-sized car in the U.S. in 1982-83.

For AMC, expected to make a record loss this year of $150m, the deal may provide the resources to launch badly needed variants of AMC or Renault cars twice a year up to 1985.

For Renault, it offers the prospect of strengthening its foothold in the North American market. Apart from joint assembly operations, it provides access to AMC's 2,400 North American dealers with possible production in Mexico also as a result of the AMC tie-up. To the R5 model which has been marketed in the U.S. for the past two years, it is soon to add the R18 range of medium saloons.

North America is by no means the only area of expansion for Renault, which last year was Europe's third largest car producer with a 1.4m output against Peugeot SA's 2.2m and VAG Volkswagen/Audi's 1.6m. It is setting up capacity in Portugal and last year signed a major co-operation deal with Volvo involving Renault taking a 20 per cent stake.

But for Renault, no less than for the other European majors, success in North America has become vital as they look beyond European frontiers to the global strategies necessary if they are to survive as volume producers by the end of the 80s.

Volkswagen, already well represented in North and South America, is furthest ahead in the North American stakes. Its first car assembly plant, at Westmoreland, Pennsylvania, has been operating since April, 1978, and it is still investigating sites for a second aimed at lifting capacity to 500,000 cars a year in line with its target of capturing at least 5 per cent of the U.S. market by 1984.

It is already well on the way towards achieving that target: last year it sold 167,000 U.S.-produced Rabbits (Golfs in Europe) and 257,000 imported Volkswagens and Audis for a combined market share of 2.8 per cent against 1.8 a year earlier. Only capacity shortages stopped it advancing further.

Production is also well under way of diesel-Rabbits, predicted eventually to account for about half of demand, and in a U.S. which has become sensitive on the topic of imports, domestic component sourcing has risen to over 50 per cent, with the target being to cover all components except engines and transmission—and, eventually, those as well.

Little impact

Despite being Europe's largest manufacturer as a result of its acquisition of Talbot from Chrysler, Peugeot SA has made little impact on North America and is only now taking concrete steps to do so. This is happening via a deal with Chrysler, which is surviving only as a result of U.S. Government intervention but which hopes for a return to profitability in the last quarter of this year.

Breaking into the U.S. is seen by Peugeot's management as the best way of reducing its heavy dependence on Europe, which accounts for well over 80 per cent of sales.

A jointly developed car for the U.S. is expected—almost certainly a vital step for Peugeot if it is still to be at the top of the European league table by the end of the 80s. But this will take at least three years. In the meantime, Peugeot is to supply Chrysler with components and receive help in selling its own cars in the U.S. as part of a deal which also includes the loan of $100m guaranteed against the shares Chrysler holds in Citroen.

The U.S. outlets for Peugeot should increase by about 100 from its present 300 over the next two years and Peugeot hopes to lift sales from last year's 12,000—8,000 of them diesels—to 50,000 by 1984, when the joint car should arrive.

John Griffiths

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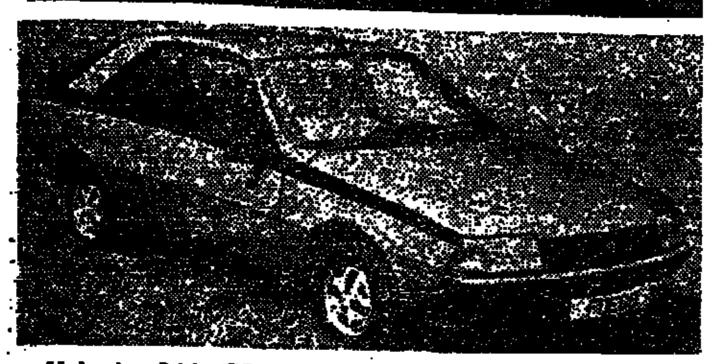


Volvo's 244 GLT (top) offers stimulating performance. The Renault Fuego (above) is selling well in France and comes to Britain later in the year

Joint ventures help companies keep costs down

LAST MONTH Fiat and the Peugeot group—comprising Peugeot, Citroen and Talbot—announced an agreement to produce jointly 1m engines a year.

The engines will be of an all new design, expected to power smaller cars for both manufacturers. The manufacturing site has yet to be decided but production is planned to start by 1983 at earliest.

It is by no means Peugeot's, or Fiat's only co-operation deal. Citroen is to produce jointly with Fiat a small utility vehicle in Italy. Peugeot and Fiat are jointly to make steering systems with Fiat at La Rochelle. The two companies also have an agreement to group their activities in Argentina, combining production and sales outlets.

Peugeot also supplies diesel engines to Ford for its European Granada models (though Ford has just completed a deal with BMW for the latter to supply diesels from the Austrian plant being built as a result of its own co-operation with Steyr-Daimler-Puch).

And both Fiat and Peugeot are co-operating with BL, Renault, VW and Volvo on long-term research.

In the past year the list of co-operative projects has lengthened considerably as car manufacturers seek to share the enormous costs of developing and making new components and achieve the international economies of scale which have become essential to survival in the 1980s.

The list of substantial joint ventures has now reached about 70, and a schematic illustration of the manifold links now operating between major makers has all the appearance of a highly complicated wiring diagram.

The next few years will see the list grow longer yet, as change comes to the industry at accelerating speed. As M. Bernard Vernier-Palliez, Renault's chairman, declared recently: "The history of the world is made up of long periods when nothing much happens and then times when great changes take place very quickly. The motor industry has left the first phase and entered the second."

To the energy crisis-induced pressures to produce new, lighter and more fuel-efficient vehicles, particularly in the U.S., has been added in the past 12 months the onset of recession which is serving only to accelerate the huge process of rationalisation now under way.

A major study published earlier this year by the Economist Intelligence Unit suggests that by the end of the decade the world-wide motor industry will be concentrated on eight world companies, four of them European: Peugeot, Renault, Volkswagen and Fiat. It contended that "only those companies which are able to support an annual world-wide output base of 2m units plus—of a rationalised product range—will be capable of securing the economies of scale in component and sub-assembly to retain an existence completely independent of other groups."

This does not mean that there is necessarily no future for medium or even small sized companies, only that the necessary economies of scale will have to be achieved by trading or other links with their erstwhile rivals.

There is little scope for repeats of Peugeot's leap into the 2m-plus bracket by the acquisition first of Citroen, then Talbot. (Last month's announcement that Talbot was to be restructured, its dealerships being merged with Peugeot's and its status reduced to little more than a design and assembly operation, indicates that in managerial and resources terms, Peugeot may have bitten off more than it can chew.)

But the scramble into joint ventures which has been taking place illustrates clearly the awareness of the other companies that they cannot afford to be left behind.

One good example was the deal announced by Renault and Volvo to link their car operations more closely, involving Renault eventually acquiring a 20 per cent stake in Volvo for around £40m. The companies remain competitors in world markets.

Both, with Peugeot, for several years have been partners in Franco-Cuedvolsedes Moteurs (PRV), which provides engines for their larger model ranges.

Elsewhere in Europe, Saab and Lancia, owned by Fiat, are jointly developing cars for the mid-80s and Lancia's small Delta, the 1980 car of the year, is already being marketed in Scandinavia with Saab badging.

Perhaps the most controversial is BL's co-operation with Honda to produce the Bounty from the middle of next year at an annual volume of up to 100,000. Other European makers may regard it with anxiety as opening the door to the Japanese in Europe, but for BL it may be an important route to salvation, with other collaborative projects with Honda following.

John Griffiths

1980: a vintage year for car buyers—and for new models

THE MOTOR industry may prefer to forget 1980, but for the car buyer, it has been a vintage year. Recommended list prices have become no more than a basis for negotiation in all but a handful of makes. BL in particular has slashed prices in a bid to buy market share and clear surplus stocks.

And the new models—entirely new, or just new to Britain—have come forward in an endless flow.

Of the cars I have written about in the *Financial Times's* Saturday motoring column this year, 25 have either been new arrivals on the British market, or they will go on sale here soon after making a UK debut at the Motor Show.

The Alfasud, smartened up in detail externally and now offered with the 1.5 litre, 95 horsepower Veloce engine, continues to astound with its impeccable handling and sheer *brio* though its styling is beginning to age. Later in the year the Alfa 6, the first big, multi-cylinder saloon from Alfa Romeo for 15 years, entered Britain to lock horns with top executive cars like Mercedes, BMW and perhaps even Jaguar.

Audi's 200 Turbo demonstrates that a small engine in a large car can, with the aid of a turbocharger, give a 120 mph-plus maximum, dashing acceleration and, given a sensitive right foot, a reasonable fuel consumption. Much the same engine powers the astonishing Quattro. For me, this is by far the most *interesting car to appear this* year, with its four-wheel drive giving it seemingly invincible grip on any kind of surface.

The front-drive only Audi 80 coupé shares the Quattro's surprisingly roomy body; with five-speed manual gears it is fast *with a great economy potential*.

No British car has ever been launched on such a tidal wave of goodwill as the Austin Metro. It is bound to do well in Britain, but its prospects in export markets are less assured. With its hatchback body, fall-away front end and exceptional interior space, it is a logical development of the Mini. The pity of it is that it did not appear five years ago.

The fastest car I have driven this year is the BMW m535i, perhaps the final "stretch" of the eight-year-old 5-series. Dropping in a fuel-injected 3.5 litre straight-six from the 635 coupé has given this full 4/5 seat saloon with a big boot the kind of performance one can only begin to exploit on the autobahn. Top speed is 140 mph, the 0-60 acceleration a shattering 7 seconds (marginally better than the much dearer 635 coupé).

Fiat's Panda, which is being displayed at the National Exhibition Centre but will not go on sale in Britain until next spring, is a logical, rather more refined variation on the Renault 4, Citroen deux chevaux theme. Though not quite the equal of the BL Metro in space utilisation, it does have a clever rear seat which can be turned into anything from a child's hammock to a double *bed*.

Level terms

The new front-drive Escort puts Ford on level terms at last with VW (the Golf), Fiat (the Ritmo/Strada), Renault (the *R14) and other makers of* classic, European-style family hatchbacks. The overhead camshaft engines of 1.3 and 1.6 litres capacity are as good as any in their class and the transmission (four speed manual only) is sweetly silent.

The only question mark is over ride comfort. For a brand new car with all-independent suspension, it can be surprisingly joggly over secondary roads and the seat springs make things worse, not better.

Lancia's Delta, though based on a modified Fiat Ritmo engine and transmission, is a car with a character all of its own. The ride is good, the handling sporty and the refinement in the executive car class, providing engine revolutions are kept within sensible limits.

Am I alone in thinking that this "three box" derivative of the Beta is vaguely reminiscent of a 20-year-old MG Magnette?

The Land-Rover V8, with the Range Rover's power train, is marvellous on very rough *country and agreeably brisk* on the highway. One wonders, though, if an inevitably thirsty 3½ litre petrol engine is what the buyer of a tough, four-wheel drive vehicle wants? This is an area where the diesel has become king.

The outwardly unchanged Mercedes 200 and 230 benefit greatly from receiving new engines that are, of course, destined for the lightweight Mercedes of late 1981. They are quicker—the fuel injected 230 markedly so—yet more economical, and the new four-speed manual gearbox is now finger-light. Not yet for Britain is the ultimate estate car—the 300TD Turbo, with a turbo-charged five-cylinder diesel giving it a speed of just over 100 mph.

The new S Class Mercedes has just reached Britain. I drove to the Paris Show earlier this month in a 500 SE and back in a 380 SE in comfort, security and complete relaxation at cruising speeds I prefer to keep quiet about. They are much lighter, have lower aerodynamic drag and are thus more economical than their predecessors.

For the past eight years the S Mercedes has set the standard against which the international executive car has been judged. The new ones should keep Mercedes in that enviable situation throughout the 1980s.

There is more to the Morris Ital than appears at first sight. In essence, it is a Marina with a nose bob and reshaped tail end but the revised 1.3 engine (as used in the Metro) is smoother, more economical and makes for more relaxed motorway driving. The 1.3 Ital, though not as fast, is a pleasanter package than the 1.7, which has the O-series overhead camshaft engine. Ride is acceptable; handling and steering no more than adequate. But the pricing is keen enough to attract the fleet buyer, which is what the Ital is all about.

Turbocharging the 2.3 four-cylinder diesel gives the big Peugeot 604D Turbo an acceptable performance and—providing it is driven by someone who understands a diesel engine's characteristics—yields remarkable economy with reasonable acceleration and quiet motorway cruising. One of the cleverest estate cars to appear this year is the Peugeot 305 with a redesigned rear suspension that causes no obstruction to the load space. Petrol or diesel engined, this car may do wonders for Peugeot's share of the medium-size estate car market.

Brave attempt

Reliant's GTC is a brave attempt by a small, independent manufacturer to create a car in the late lamented Triumph Stag's image out of the elderly Scimitar GTE. It is fairly successful, though the price does look high against the Volkswagen Golf convertible, also a four-seater and nearly as quick despite having little more than half the cylinder capacity.

It has been a good year for convertibles because a third one—the Triumph TR7 soft top that was launched in the U.S. last year—came on the British market. If all BL cars were as good as this, BL would be paying dividends again. The TR7 soft top is fast, handles well, and is sufficiently muscular to please the sporting driver. Yet it rides with resilience enough to appeal to the motorist who just wants a comfortable, nicely furnished, personal kind of car.

Renault's 4GTL is still the *classic cheap tin box, more of* a domestic appliance than a car, but still unrivalled for shifting really awkward loads. (Is there any other small estate car that will carry a Chesterfield sofa?) The GTL has a larger engine and much higher gearing, *making it faster*, quieter and more economical of fuel.

New Renaults reaching Britain soon are the 18D and 20D, both with a dieselised version of the 2-litre all-aluminium petrol engine used in the 20TS and Citroen Reflex and Athena. The 20 diesel goes well, with a usefully "tall" fifth gear for quiet, economical cruising; the 18 diesel promises to be better still. The Fuego, a sleek looking coupé with a hatchback and almost as much interior space as a saloon, has been doing well in France and comes to Britain by the end of the year.

The Rolls-Royce Silver Spirit the longer wheelbase Silver Spur and the mechanically identical Bentley Mulsanne replace the 15-year-old Silver Shadow. It looks longer, though is marginally shorter, and is both wider and lower, without affecting headroom. Though incontestably a Rolls, its styling has subtle Mercedes overtones.

The Silver Spur is as superb a car as one would expect for £50,000. Whether it is a mechanical masterpiece or a magnificent anachronism depends, I suppose, on whether you drive one or look enviously upon those who do.

The Talbot Solara is a three-box development of the Alpine hatchback. It is a typically French car, shock-absorbantly sprung with nice squashy seats—ideal, it seems to me, for people who are not madly interested in driving for its own sake but do like to be comfortable.

The VW Jetta, a Golf hatchback turned into a saloon with an extremely large boot, is a pleasingly refined and, in its fuel injected 1.6 litre GLi version, a most satisfyingly rapid 4/5 seater.

Finally, one of the nicest *surprises of the year—the Volvo* 244 GLT. Considerably faster and quicker off the mark than any of the six-cylinder Volvos, this one combines the sought-after strength and safety with stimulating performance.

Stuart Marshall

BRITAIN'S EDUCATION SYSTEM

The cuts get closer to the core

GOVERNMENT services do not welcome Sir Derek Rayner's investigation into how their efficiency compares with that of Marks and Spencer, of which he is joint managing director. But few would deny that the investigation, carried out on the Prime Minister's behalf, is needed.

In the education service in particular, unprecedented financial cuts have made efficient management more than ever necessary. As yet the economies have not seriously undermined the essential parts of the education system. Unless the effects of the economies can be sensibly managed, however, there is a fear that by the end of next year irreparable damage may have been done.

But the Department of Education and Science feels that it has a ready riposte to Sir Derek's inquiries. What would be his chance of managing efficiently if Marks and Spencer were run on the lines of the UK State education system?

This has some 36,000 serving branches in the form of various kinds of schools, colleges and universites and through them more than a million staff, of whom around 650,000 are engaged in teaching, deal with over 12m full- and part-time pupils and students with markedly differing needs.

But size is less an obstacle to efficient management than is the system's complexity. The 44 UK universities have their own separate managements and so stand apart from the rest of the service, which consists of approximately 900 nursery, 27,000 primary, 6,000 secondary and 1,800 special schools, and well over 600 further education colleges including 30 polytechnics.

The schools and colleges in Scotland, and in Northern Ireland again are managed separately. And while their counterparts in England and Wales are under the notional sway of the Whitehall Department of Education and Science, they are directly administered by 104 different local education authorities which are very much laws unto themselves.

Each authority has power largely to decide what is spent on its area's education service, and how this is staffed and otherwise organised. But control over the educational "product"—what is taught and by which methods—is in effect exercised by the head and teaching staff of each of the thousands of individual schools and colleges. So, to an important extent, is *control over the detailed spending of the school's or college's* budget.

If this labyrinth—now absorbing around £9bn a year—were

Michael Dixon, Education Correspondent, takes a personal look at Britain's education system and the ways in which Government cuts are affecting the service it offers.

to be properly compared with the management structure of Marks and Spencer, account would need to be taken of a further factor: but, given the traditional loyalty of employees of governmental organisations to their current political masters, it is a factor which no educational official would even mention to Sir Derek.

It is that the boards of directors of the various national and local branches of education are not composed of professional managers. The directors are politicians whose prime interest is less in the realities of education than in those aspects of it which can best be presented to their advantage electorally.

So it is not only the many local variations that obscure the realities from the view of the taxpayers and ratepayers who finance them. There is also a tendency for the accounts of educational events given to the public to be markedly different from what is actually happening.

The result is exemplified by the struggle central Government is having with some local authorities about its policy of reducing public spending, of which education represents the greatest single element under local control. As exhibited to the electorate, the divisions are clear cut.

On the one hand stands the Conservative central Government whose Ministers have consistently stated that educational savings, in particular, need not impair the essential core of the service. The Government's planned economics and its view of their effects evidently have the wholehearted support of the "professional managers"—the senior civil servants—who run its services. The policy of reductions also has the apparent acquiescence of the politician-directors and the professional managers of most local authorities.

On the other hand are 14 local authorities, all but one under Labour control, which are resisting the economies, on the grounds that they will deprive the local electorate of services which the majority of ratepayers rightfully wish to be maintained. The politician-directors of the dissenting areas equally have the evident support of their local authority professional managers who run the services of their authorities.

But if civil servants and local authority officials were freed from the tradition of loyalty to

Students march through London in protest at Government cuts in education.

their respective political masters, a different view would emerge. Regardless of the clear-cut dispute between Conservative Ministers and the dissenting local politicians, there is a large measure of agreement between the educational civil servants and their counterpart officials in the resistant authorities, only five of which run their own education service. These are Newcastle-upon-Tyne, Sheffield, and the outer London boroughs of Brent, Hounslow, and Waltham Forest.

The broad consensus among the professional managers at national and local levels would no doubt show several differences from the public platform of politicians on the Labour side. The managers would not generally endorse the Labour tenet that savings in public spending on education necessarily diminish the quality of the service. Nor, for another example, would the managers support the Labour politicians *in blaming the Government's* economies for "horrors" such as schools with severe shortages of basic materials like books and even paper. The managers know that the main cause of shortages of this kind is almost certainly bad management of the school's budget by the head teacher concerned.

Equally, the senior civil servants and local officials would disagree with the Conservative Ministers' statements that the economies need not damage the central core of State education. This is now regarded as the teaching of children between the compulsory-school ages of five and 16, and at a time of high youth unemployment, the provision of courses in working skills for 16- to 18-year-olds. The pressure of youth unemployment has doubtless *played* a *large part in the* overspending of areas such as Sheffield where the number of jobless 16- to 18-year-olds doubled to 4,500 over the 12 months to September.

As a whole the local authorities have managed to protect the core fairly well while coming reasonably close to achieving the economies required by the Government. The main exception is a shortfall of roughly £140m on the projected savings in school meals. But this should be eliminated in 1981-82, especially if more authorities follow Dorset in going beyond increasing the price of a school dinner to 55-60p, and ceasing to serve hot meals to their primary school children. Other non-core elements which have borne the brunt of the cuts include adult education and nursery schooling.

The result is that the core has so far suffered only minor injuries. These vary widely from locality to locality, but they include reductions in the remedial teaching of basic literacy and numeracy, the withdrawal of minority subjects such as Spanish, and shortages of materials for crafts lessons. *Even so,* there is now a consensus among the managers of the education service to the effect that the core is bound to suffer more serious damage before long.

This is not to say that they generally believe it is already crumbling. The education service is still far from being harmed to the extent which would result, for instance, in a noticeable drop in young people's standards of literacy and numeracy.

The damage to the core which is feared both by civil servants and by local officials is of a less observable kind. For the service is not very far from the point where shortage of money provokes widespread demoralisation among teachers and other staff, with a consequent decline in their productiveness and *co-operation.*

Should that point be reached, then even if the result were not a visible drop in literacy and numeracy, there would be no hope of fulfilling the Government's plans to improve the present standards of basic educational skill which are *evidently* regarded by employers and parents alike as sadly inadequate.

And the managers' fear that this critical point will be reached arises from the comparatively poor performance in achieving the projected cuts of other users of public funds. The consensus is that, since the Government will not allow public spending to rise in total, it will visit the sins of other users on the education service in the form of extra reductions in its budget from next year onwards.

Here again, however, the civil servants and local officials would not maintain that even extra cuts must necessarily mean damage to the essential core.

Savings could be made relatively harmlessly by accelerating the rate at which schools rendered uneconomic by falling pupil numbers, were taken out of service. Other possible measures include greater firmness by local authorities in obliging teachers, surplus to requirements in their present job, to choose between moving elsewhere and getting out, and the shedding of plainly unproductive academic staff in polytechnics and universities. The widespread impression that university dons are contractually entitled to life-tenure of their post is a myth, except in a few instances such as Oxford and Cambridge. *And it seems* possible that even in these life-tenure has been annulled by the recent legislation on employment.

But the professional managers of education have strong reasons for believing that they would be prevented from applying these *measures—and* prevented by their own politician-directors, regardless of party allegiance. Local councillors and MPs have, for example, been very reluctant to resist pressure groups opposing the closure of schools with too few pupils in their constituencies. The *Government itself seemed less* than fully determined to force through the House of Lords legislation permitting local authorities to economise on the cost of transporting children to school.

The civil servants and local authority officials who run *education know and are broadly* agreed how economies could be made without seriously damaging the central core or even sacrificing improvements to the quality of teaching. But the most likely prospect is that they will instead be pushed into cutting at the core by the political interests of their boards of directors.

While the educational managers might wish it, none of them is naive enough to think that education can be taken out of politics. But given the likelihood that—as one of them put it—"severe harm will be done, almost incidentally, by the panic smashing of things which can't be recovered," they deeply regret the absence of any political initiative by which the core might be preserved.

Letters to the Editor

The rating system

From the Editor, Assessment

Sir,—David Liss (October 9) once again wheels out several hoary chestnuts in opposition to the rating system.

He claims that it is absurd that a widowed lady with an income one-tenth of his own is *assessed for the same amount of* rates as he is, living in the house next door. But rates are a tax on consumption—on the consumption of housing.

For example, if Mr. Liss's widowed neighbour owns a car, she will also pay the same amount of vehicle excise duty as he does—regardless of income. If she buys Wilton to carpet the floor of her no doubt identical living room, she will pay the same amount of VAT on it as Mr. Liss will. The criticism that the rates bill ignores the income of the ratepayers could equally well be levied against any other consumption tax.

So too could the claim that rates are unfair because half or less of wage and salary earners pay domestic rates. The same is also true of tobacco tax, excise duties, vehicle excise duty. If I choose not to be a householder, and to live in the home of my parents I will pay no rates (at least not directly). But the same is also true if I choose not to own a car, and to take a lift from a friend.

If domestic rates were to be abolished there would be no tax on the consumption of *property—a situation which* would make the UK almost unique in the Western world. Rather than tilting at windmills, critics of rates should look at the real sources of inequity in the system: the failure to have a regular revaluation, which allows people with the money *to improve and extend* their homes to avoid paying the increased rates which would be due, at the expense of those who are unable to do this. A regular revaluation, and a switch to basing rates on capital value rather than the more arbitrary rental, was advocated by the *Layfield Commission—a* costly exercise which seems to have been put on the shelf by the Government.

I suspect that any future inquiry into the domestic rating system can only conclude that there is a role for a tax on the consumption of property, and *that to* delay these essential reforms in the pursuit of a mythical alternative is to perpetuate the already well-established inequities of the tax.

John Willman.
Assessment.
Inland Revenue Staff Federation.
7, St. George's Square, SW1.

Paying for services

From the Mayor, Royal Tunbridge Wells

Sir,—*It is good news that the* Government proposes to close the loopholes in the tax laws, which allowed certain persons to avoid paying large sums of money.

Will the Government follow the same principle and now look at the gross discrimination shown — statutorily — against ratepayers, and amend the law so that all those electors who benefit from local government services should contribute directly towards them?

In this conurbation of Royal Tunbridge Wells there are roughly 15,000 ratepayers, and over 34,000 electors. Some of the surplus undoubtedly make some kind of contribution (indirect) but it is equally certain that many of them get their services paid for by others. It should not be necessary to argue the palpable unfairness of such a system.

W. Shepherd (Councillor),
The Mayor's Parlour,
Town Hall,
Tunbridge Wells, Kent.

Shareholders' rights

From Mrs. V. Flegmann

Sir,—In her search "to find a way to exert proper control over the nationalised industries" (October 9) Mrs. Thatcher could do worse than to re-establish a co-ordinated system of Parliamentary scrutiny of the nationalised industries, which no longer exists since the dismantling of the select committee on nationalised industries in 1979.

Within the current review of the "Role of the comptroller and auditor general" he should be granted access to the books and records of the *nationalised* industries to examine their efficiency and following his report the industries examined by the public accounts committee or similar Parliamentary committee.

Such examination would be nothing more sinister than the expression of a legitimate interest of "shareholders' representatives" in the affairs of publicly owned companies.

Mrs. Vilma Flegmann,
Bath University Centre for Fiscal Studies.
University of Bath,
Claverton Down, Bath.

Treasure trove

From Mr. H. Leggatt.

Sir, — Antony Thorncroft's article (October 10) entitled "Hazardous season for salerooms" draws attention to the problems facing the art and antiques market at present.

Recent events have revealed intractable problems and a most unsatisfactory state of affairs, whether *financial or otherwise,* for all parties concerned, including the nation.

The controversy over the introduction by the leading fine art auctioneers of a 10 per cent surcharge on buyers has led to its legality being about to be challenged in the courts.

Inflation and capital taxation are increasingly wreaking havoc on attempts to retain our cultural inheritance, despite the constructive achievement of setting up the National Heritage Memorial Fund with all-party support.

As a consequence of the latter, there is a grave threat that the mechanism of export control will either seize up or break down.

This situation is aggravated by the reluctance of the Treasury to make the fact crystal clear that exempted works of art which are sold by private treaty to public institutions in this country remain wholly free of capital taxes.

Insufficient use is being made of the statutory provisions for acceptance of art treasures in lieu of tax owing to disproportionate bureaucratic and financial regulations.

Sales of important cultural objects by semi-public bodies have increased recently and represent a threat which could overwhelm such resources as are available.

In these daunting circumstances I would submit there is an urgent need for some form of public investigation, whether parliamentary or otherwise, into all these matters. Time is appallingly short.

Hugh Leggatt.
Leggatt Brothers,
17, Duke Street,
St. James's, SW1.

Milk on the doorstep

From the Chairman,
Healds Dairies

Sir,—The Consumers Association (October 9) together with the Ministry of Agriculture, Fisheries and Food, National Farmers Union and the Milk Marketing Board knows perfectly well why UK retail milk prices compare unfavourably with those in Europe. They are not caused by high distribution *costs but by the simple fact that* retail milk processors are collecting from the liquid market more than 16p per gallon (2p per pint) which is passed on to the Milk Marketing Board to subsidise, through its pooling system a lower price for milk for manufacture into cheese, butter and other products some of which are in world wide surplus. A simple explanation which happens to be true.

John Heald.
Didsbury, Manchester 20

Local authority efficiency

From the Director,
Centre for Interfirm Comparison

Sir,—I have read with interest the recent letters in your columns on local authority efficiency — particularly those discussing cost / effectiveness studies and comparisons. May I take up a few points from the correspondence?

Can such studies satisfactorily be carried out? One of your correspondents implies that they cannot because, he says, local authority "output cannot be measured objectively, it will always be a matter of opinion." It is true that "final output" (in the sense of contribution to the quality of life) is difficult to assess; but the same applies to private manufacturing industry and other fields. There are also some local authority services where even "immediate output" (in the sense of the immediate products or services provided) is difficult to quantify. Local authorities, however and other public agencies do carry out a large number of activities, and provide many tangible services, where suitable "immediate" output measures can be arrived at.

It is not always possible to arrive at output measures summarising all the work of each such department. Useful performance indicators however, can generally be devised relating to individual parts of their work.

Another correspondent says that realistic and scientific exercises in performance measurement must involve in-depth consultation and analysis; and will also involve staff and other costs. I agree with both points. But anything worth doing is bound to cost money; and interfirm and inter-authority comparisons are one of the cheapest and most effective ways of stimulating and enabling management to identify areas for improvement, and to take fruitful action.

Mention has been made of the need for comparative studies to *be carried out by an independent* "outside" body, which would do the job thoroughly and professionally. I quite agree.

L. Taylor Harrington.
Centre for Interfirm Comparison,
8, West Stockwell Street,
Colchester, Essex.

The jig's up

From Mr. S. Preston

Sir,—I have sympathy with Mr. Norman Gantz (October 6).

But there are more than a few Irish people who cannot believe what has hit them since the insane action of the Central Bank in severing the 150-year-old link with sterling.

I asked a distinguished banker in Dublin last week if he saw any merits in it and why it had been done. "None whatever," he said, "and don't you know perfectly well that it was largely political—the severing of another tie with the traditional tyrant."

Well, we are paying dearly for this caper. Probably 80 per cent of imported commodities, particularly foodstuffs, most in day-to-day demand, come from Britain. Our VAT rate is 25 per cent and it is charged on freight and insurance as well (at sterling rates). What a recipe for inflation!

The cost of the week's shopping basket comes to some 50 per cent more in Eire than in the UK in terms of units of currency.

I do not see much merit in Mr. Gantz's suggestion that the £ symbol should be replaced. After all, both Canada and the U.S. use the $ symbol and their currencies stand in roughly the same relation as pound and punt. The Israelis used the £ symbol until very recently for their near-worthless currency.

Not that I would be surprised to see the £ (for punt) symbol going one of these days. Anything that smacks of "sterling" is opprobrious to many in this sainted isle.

Stephen Preston.
2, The Crescent,
Lucan, Co. Dublin.

The Irish punt

From the Managing Director,
Vita Cortex

Sir,—Mr. Gantz and ATP International (Oct. 6) cannot be as international as the title would suggest, or is Mr. Gantz also seeking to have the following countries discontinue the use of the dollar sign: Antigua, Australia, Barbados, Canada, Cayman, Dominica, Fiji, Grenada, Guyana, Hong Kong, Jamaica, Liberia, Montserrat, Nauru, N. Zealand, Solomon Is., Trinidad, Tuvalu, Vanatu, Zimbabwe?

J. F. McHenry.
Vita Cortex.
Cork, Ireland.

Today's Events

GENERAL

UK: Sir Keith Joseph, Industry Secretary, opens "Miles Ahead" exhibition of British car design, Design Centre, SW1.

Mrs. Sally Oppenheim, Minister for Consumer Affairs, launches firework safety campaign.

Mrs. Lynda Chalker, Health and Social Security Parliamentary Secretary, speaks at Sidcup.

Sir Peter Gadsden, Lord Mayor of London, opens International Union of Building Societies and Savings Associations 1980 Congress, Royal Festival Hall, SE1.

Amalgamated Union of Engineering Workers meets Engineering Employers Federation on wage claim.

National Association of Boys' Clubs Club Week launched, Guildhall.

Society of Industrial Artists and Designers 50th Anniversary Dinner Mansion House.

Junior Fashion Fair, Horticultural Halls, SW1 (until October 15).

Overseas: Mr. Nicholas Ridley, Foreign Minister, and Mr. George Price, Belizean Prime Minister, in talks with Guatemala, New York.

National Association of Real Estate Executives annual congress opens, Miami (until October 14).

European Parliament session opens, Strasbourg (until October 17).

Nobel Prize for Peace announced, Stockholm.

American and Russian negotiators meet for talks on limiting European-based nuclear missiles, Geneva.

Mr. P. W. Botha, South African Prime Minister, starts official visit to Taiwan (until October 17).

Mr. Naohiro Amaya, International Relations Vice-Minister at Japanese Ministry of International Trade and Industry, discusses Japan's trade surplus with EEC, Brussels.

OFFICIAL STATISTICS

Index of industrial production (August—provisional).

PARLIAMENTARY BUSINESS

House of Lords: Local Government, Planning and Land Bill, Committee: Inverclyde District Council Order Confirmation Bill and City of Dundee District Council Order Confirmation Bill, Third Reading.

COMPANY MEETINGS

See Financial Diary on page 21.

MUSIC IN LONDON

Piano recital by Vivien Banfield, St. Lawrence Jewry-next-Guildhall, Gresham Street, 1.00 pm.

Baroque and 20th century music by Verona Ensemble, St. Bartholomew-the-Great, Clothfair, 7.00 pm.

UK COMPANY NEWS

Zetters moves into hotels

FOLLOWING on last November's statement made at the AGM that it intended to diversify into the hotel industry, Zetters Group, the football pools, bingo and cinema operator, has completed the freehold purchase of "The Bishops Table," a small town centre hotel in Farnham, Surrey.

Mr. P. Zetter, the chairman, says that with the benefit of the catering experience the group already possesses, it is anticipated that this tentative move into the hotel industry will prove successful.

Both pools and bingo divisions are currently trading well and this together with the group's strong liquidity position gives the Board confidence, he tells members in his annual statement.

As reported September 19, pre-tax profits for the year ended March 31, 1980, improved from £1.39m to £1.54m, on turnover of £11.17m (£9.75m). The dividend is being raised to 2.5p (1.9p) net per 5p share.

At the year end, shareholders' funds were up from £3.08m to £3.89m. Short term deposits rose sharply from £0.35m to £1.13m, while cash totalled £232,564 (£297,866).

Capital expenditure authorised prior to March 31, but not provided for in the accounts, amounted to £911,500 (£83,000).

Meeting, 86-88, Clerkenwell Road, EC, November 5, 11.30 am.

Two machine makers rescued

TWO BRITISH textile machinery manufacturers which ran into difficulties last summer have been saved as a result of offers from other groups.

Cobble Blackburn, which claims to be the biggest tufted carpet machinery manufacturer in the world has now completed the acquisition of its main UK rival, Pickering Blackburn. Its previous owner, Sears Holdings, announced it would be withdrawing from carpet machinery in August following heavy losses at Pickering.

A potential purchaser has also emerged for Sir James Farmer Norton, textile finishing equipment manufacturers, of Salford, and a deal is expected to be completed shortly by the receiver Mr. Peter Copp, of accountants Stoy, Hayward.

About 300 people lost their jobs with the closure of Pickering which was badly affected by a slump in demand for carpet machinery in a number of important markets including the UK, where the carpet industry has been under very strong pressure from U.S. imports.

Around 75-80 workers have been re-hired by Cobble which will continue to manufacture all the products in the Pickering range. Mr. Geoff Livesey, managing director of Cobble, says the merger will help to reduce serious over-capacity in tufted carpet machinery and result in the creation of a single, powerful UK group.

Cobble itself has three main locations in the UK and one in the U.S. and competes in world markets mainly against the U.S. group Tuftco.

Sir James Farmer Norton, which manufactures specialist finishing equipment, ran into serious cash problems this summer as a result of a severe fall-off in orders and difficulties in extricating payment for goods supplied to customers in Turkey. Some 300 employees have lost their jobs with the company where only a skeleton staff of about 50 has been retained by the receiver.

The deal now being negotiated involves an unnamed British machinery group which has expressed interest in Farmer Norton's product range. At the same time the company's premises in Salford will be purchased by Salford City Council for £300,000 and leased back to the new buyer.

The lease is expected to be for 21 years with an option enabling the new owners of the business to buy back when business picks up. The purchase of the Farmer Norton business is not being discussed.

FT Share Information

The following security has been added to the Share Information Service appearing in the Financial Times:

Charterhouse Petroleum (Section: Oil and Gas).

Leasing offshoot for Astley & Pearce

Astley and Pearce, the leading firm of money brokers on the London market, have formed a subsidiary to specialise in leasing.

Managing director of Astley and Pearce (Leasing) is to be Mr. John Keevill, formerly manager at Aurit Services, a leasing subsidiary of R.I.T.

He explained yesterday that the new company would have three roles—lease broking, lease management and industrial building consultancy.

Lease broking, matching cash-rich companies or leasing specialists to others wishing to acquire tax allowable assets, is a well established industry. Astley and Pearce believes that its extensive commercial contacts in the fields of general finance broking will give it access to the widest market.

It will also offer lease management, including showing manufacturers how to lease capital equipment to customers reluctant to buy outright; helping new leasing companies start up; offering advice on depreciation of leased assets; and providing physical management and collection services.

Mr. Keevill also believes a sizeable market could develop in investment in industrial buildings since the Budget ruling that such investment may be eligible for 100 per cent capital allowances against cost.

The company is taking a long-term view over development, however. Mr. Keevill said that the ordinary lease broking market had been hit by the Chancellor's decision to withdraw the tax concessions on leased equipment from local authorities.

He also recognised that with profits slumping companies had fewer incentives to seek tax shelter through tax allowable investments.

However, Mr. Keevill pointed out that companies which had already begun to invest in leased assets so as to defer tax would have to maintain their momentum or incur the tax liability. In any case, he thought there was considerable room for advice to companies on how best to structure their leasing arrangements.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Ash and Lacy, Avana, Bristol Channel Ship Repairers, W. Canning, Edinburgh Investment Trust, Foster Brothers Clothing, Reed Executive, Rugby Portland Cement.

Finals: Glaxo, R. Green Properties, W. A. Tyzack

FUTURE DATES

Interims:	
Associated Biscuit Mnfctrs.	Oct. 14
Estate Duties Investment Tst.	Oct. 21
Mettoy	Oct. 17
Mothercare	Oct. 21
Northern Securities Trust	Nov. 19
Oxley Printing	Nov. 8
USM	Oct. 21
United Engineering Industries	Oct. 16
Finals:	
Berry Trust	Nov. 3
Cedar Investment Trust	Nov. 11
Ductile Steels	Oct. 21
Goodwin (R.) (Engineers)	Oct. 15
Guildhall Property	Oct. 16
London Shop Property Trust	Oct. 16
Lucas Industries	Nov. 10
Pearce (C. H.)	Oct. 16
United Wire	Nov. 27
Wombwell Foundry and Eng.	Oct. 16

25% of Benlox changes hands

FOUR MEMBERS of the Board of Benlox Holdings, the building group, have resigned after selling their shares to Mr. M. A. C. Buckley who has now been appointed a director.

The company has announced that 25 per cent of the equity, including a 19 per cent stake owned by Park Place Investments, the publishing and financial services group, has changed hands. Mr. Buckley has acquired 200,000 shares (8.7 per cent); the remainder has been placed through the market.

A month ago Benlox said that it was holding discussions with a third party which might lead to a "substantial interest" changing hands.

Now Mr. E. D. Barkway, Mr. D. G. Heynes, who is also a director of Park Place, Mr. D. G. Kleeman and Mr. I. C. Tickler have resigned from the six-man Board.

AA designs two new life policies just for women

TWO NEW life assurance contracts designed exclusively for women have been introduced by the Automobile Association Insurance Services and underwritten by the Guardian Royal Exchange Assurance.

The first, entitled AA Womanwise, combines a with-profits endowment assurance with family income benefits. This provides, on the death of the woman before age 60, a lump sum payment followed by a level annual income payment for the remainder of the assurance term. On survival to age 60, the woman would receive the maturity lump sum payment.

This policy is available to women between ages 18 and 50. There are three levels of income cover: £1,200, £1,800 and £2,400 a year.

For example, for a monthly premium of £5.17, a woman aged 29 could secure income cover of £2,400 a year plus a lump sum payment of £1,000 plus all attaching bonuses, with an anticipated maturity value of £3,083.

The other policy the Womans Ten-Year Supersaver is a simple 10 year with profits endowment assurance contract with premiums increasing by 7 per cent each year to give some measure of inflation linking.

The AA Insurance Services has a wide range of life and general insurance policies on the market covering around 800,000 policyholders including 150,000 life policyholders.

Longton Indl. to diversify

Urgent and strenuous efforts were being made at Longton Industrial Holdings to develop new business to replace certain traditional businesses which for reasons outside the group's control, were declining, Mr. A. J. Dale, the chairman, told the annual meeting.

The industrial and construction plant business, which was rapidly expanded last year because of exceptional opportunities to expand the franchise, was in the process of being drastically streamlined, he explained.

It was not expected to lose any of the benefit of the extended franchise, but the territory would be covered from a smaller number of depots more efficiently and economically.

Certain parts of the group, particularly transport, storage and distribution, were continuing to show good results.

As already known, pre-tax profits for the year ended March 31, 1980, advanced from £1.65m to £1.92m, on sales of £43.21m (£34.2m).

A. Herbert machine tools sale completed

Tooling Investments has formally completed its acquisition of Alfred Herbert's machine tool manufacturing business at Edgwick, and the factored machine tool and spares businesses at Red Lane, Coventry, and Wilson's Lane Bedworth.

The acquisition will ensure the continuity of manufacture of the new range of Alfred Herbert advanced technology turning machines and the provision of an effective back-up for spare parts and after sales service, not only for the new range of machines but also for all those products previously manufactured at Alfred Herbert.

An extraordinary general meeting of the Alfred Herbert shareholders is scheduled to take place later this month following which it is the intention of Tooling Investments to carry on the businesses under the name Alfred Herbert Limited.

PALMERS

Palmers Scaffolding has formed a new overseas company, Saudi Scaffolding Services, in order to meet the requirements of the Royal Commission for Jubail's appointment to provide scaffolding and labour for a new $70bn project.

SHARE STAKES

Hoskins and Horton—London Trust has purchased 25,000 ordinary shares increasing its holding to 325,000 shares (12.3 per cent).

Save And Prosper Linked Investment Trust—The Merchant Navy Officers Pension Fund holds 775,000 capital shares (16.315 per cent).

Huntleigh Group—ICFC sold 250,000 ordinary on September 26, 1980, reducing holding to 1,326,249 (11.1 per cent).

J. W. Wassall—West Nominees are no longer holders of 5 per cent or more of the ordinary share capital. Mr. Barnard has acquired 77,450 shares (more than 5 per cent).

London Trust Company has recently sold 100,000 Tebbitt Group ordinary reducing its holding to 5.1 per cent.

Triplevest — The Merchant Navy Officers' Pension Fund is the beneficial owners of 616,000 £1 capital shares (10.2 per cent).

S. and W. Berisford—A trust in which Mr. E. S. Margulies, director, has a beneficial interest has sold 31,098 new ordinary.

Lowland Drapery Holdings—Bank of Scotland Central Nominee Company are now the holders of 154,600 shares. The company understands that the 159,600 shares held by the Clydesdale Bank (Head Office) Nominee TCF account have been sold.

Barton and Sons—Norwich Union Life Insurance Society has disposed of 66,530 ordinary reducing its holding to 1,177,567 (4.9 per cent). Prudential Assurance Group holds 1,369,172 ordinary (5.7 per cent). Staveley Industries holds 2,537,304 ordinary (10.57 per cent) and Throgmorton Trust holds 1,202,277 ordinary (5.01 per cent).

Highams—Stockholders Investment Trust have acquired 450,000 ordinary (7.47 per cent).

Tebbitt Group—London Trust Company have recently sold 100,000 ordinary reducing their holding to 5.1 per cent.

Kwik-Fit (Tyres and Exhausts) Holdings—Atlantic Assets Trust now holds 3m shares (7.4 per cent).

Ultramar—Mr. C. L. Nelson, director, has sold 40,000 shares reducing his holding to 107,484, of which 100,000 are beneficially owned. Mr. L. E. Bensen, director, has exercised an option to purchase 40,000 ordinary. Mr. Bensen has sold 97,086 shares reducing his holding to 40,200, all beneficially owned. Mr. E. O'Shea, director, has exercised an option to purchase 20,000 ordinary and has sold 20,000 ordinary.

Stakis Organisation — Electra Investment Trust is interested in 2,775,000 shares (5.18 per cent). Since September 30 Globe Investment Trust has had no notifiable interest in the ordinary shares.

Chambers and Argus—Harvey Michael Ross has increased his holding to 340,500 shares (9.5 per cent).

Noble and Lund—Charles Clifford Industries have disposed of 50,000 shares, making a revised total of 592,500 stock units.

Arrow Chemicals Holdings—The D. F. Wiley Settlement has reduced its holding to 270,000 shares (less than 5 per cent).

SPAIN

1980 High	1980 Low		Oct. 10 Price %
250	203	Banco Bilbao	250
280	217	Banco Central	280
220	203	Banco Exterior	217
236	200	Banco Hispano	233
137	117	Banco Ind. Cat.	124
175	141	Banco Madrid	141
282	237	Banco Santander	281
190	135	Banco Urquijo	135
258	208	Banco Vizcaya	258
248	200	Banco Zaragoza	248
123	75	Dragados	118
73	58	Espanola Zinc	71.5
66	53.2	Fecsa	64.7
40	23.2	Gal. Preciados	33.2
71.7	58.7	Hidrola	69.2
69.2	57.6	Iberduero	65.5
129	100.7	Petroleos	112
92	59	Petroliber	88.5
116	102	Sogefisa	102
65.5	51.5	Telefonica	63
70.5	58.2	Union Elect.	70

مكتبة الأعمال

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

BY FRANCIS GHILES

A billion dollar balloon

THE STAMPEDE of new issues in the international bond markets last week reminded many dealers of the happy days of June. That was the last time that more than \$1bn-worth of dollar bonds and DM 575m-worth of Deutsche Mark foreign bonds were announced in five short trading days. All the dollar issues were Eurobonds, except a \$200m Yankee issue for the EIB.

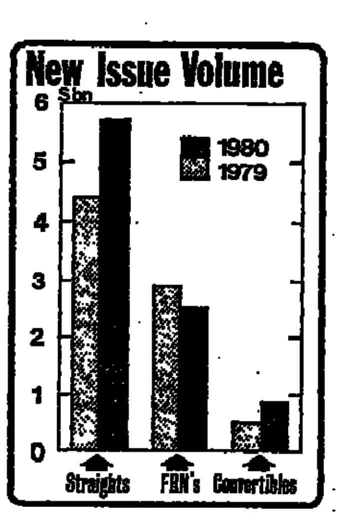
Solid institutional buying was also in evidence, particularly at the beginning of the week and this pushed up prices of fixed interest dollar bonds by 1¼ points on Monday alone. Despite falling off later in the week, prices did finish the week with gains of around 1½ points.

Events in the markets did, however, demonstrate, in a very short time, some of the worse features of the Eurobond market. The issues announced on Monday, for United Energy Resources and J. C. Penney, and two launched later in the week, for NZ Forest Products and Ingersoll Rand, were well received. It was exactly the reverse case with the two "bought" deals announced by Morgan Stanley on Wednesday, for Citicorp and General Motors.

On both issues, the yield offered to investors was so tight that the lead manager was quoting the first at a discount of 2¾-2½ and the second at a discount of 3½-3 on Friday afternoon. Five among the leading names in the banking and investment house fraternity turned down offers to join in the Citicorp issue as managers: BNP, CSFB, Deutsche Bank, Goldman Sachs and Salomon Brothers.

A further ironic twist to the story was that the Citicorp issue was initially planned to be launched in the domestic U.S. bond market, for a larger amount, \$300m. At the last minute it was switched to Europe, where borrowing proved to be that much cheaper for Citicorp.

As Kidder Peabody's weekly telex to investors put it, "market sentiment which, at the beginning of the week had been quite bullish, was destroyed with the announcement of the two jumbo Euros offered at below market levels." All the more the pity as "investors were for once intent on buying for more than 30 seconds"—that was how Walter Imthurn of Smith Barney summed up the market. For months, he added, banks had essentially been shuffling paper among themselves.



Four new dollar denominated bond issues were launched over the weekend, including what is believed to be the first ever convertible for a Canadian company, Turbo Resources Ltd, through Orion. Only one-quarter of this issue is convertible into equity, which explains why the coupon is much higher than would have been the case for a "classical" convertible issue.

A \$40m 12-year issue for Trailor Train Finance NV carrying a coupon of 13¼ per cent and a price expected to be par was launched through Manufacturers Hanover.

Another convertible issue, for Tosco was launched last week while the \$30m issue for Helmrich Payne Finance was increased by \$10m. However, when it started trading it was quoted at a slight discount by the lead manager, CSFB.

Real investors, however, were back in business last week, as confirmed by one of the larger investors. As prices rose on straight dollar bonds and yields dropped below Eurodollar rates, buyers moved to the sidelines. Later on in the week, though, there was no absence of buyers for the two "bought" deals at lower levels. The pricing of the General Motors deal, meanwhile, demonstrated the dangers of pricing an issue on equal or better terms than equivalent maturity U.S. Treasury bonds. The major thrust in buying of dollar bonds did appear to come from dollar-based funds not from Continental houses. By the end of the week, many dealers were still reporting good business which they hoped would continue this week.

The rush into dollar bonds was concentrated at the medium-term end of the maturity spectrum, more than five years but not quite 10.

With dollar interest rates slipping back — the six-month rate dropped ⅜ to 13 per cent—investor interest in D-Mark foreign bonds revived strongly. The results of the German election also gave a fillip to this sector where five new issues were launched. They all appeared to meet with a friendly welcome, not least the issue for Midland Bank, the first D-Mark denominated bond the UK clearer has arranged. Seasoned D-Mark issues gained about one point on the week while in the other hard currency sector, Swiss franc bonds moved up by ⅜ of a point.

The FFr 300m issue for Renault was closed with indicated terms unchanged by the generous yield offered on the latest French Government domestic issue.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Nat. Westminster Fin.	100	1992	12	5¼Φ	100	County Bk, Orion, CSFB	5.319Φ
‡**†IBJ Fin. Co. NV	50	1988	8	5¼Φ	100	IBJ Intnl., Morgan Stan.	5.319Φ
‡§Matsushita Elec. Wks.	100	1995	—	7½	100	Yamaichi, Morgan Stan.	7.500
†BNP	250	1988	7½	5½Φ	100	BNP, CSFB	5.654Φ
‡§Helmrich Payne Fin. NV	60	1995	—	7½	100	CSFB	7.500
UER O'seas Fin. NV	50	1988	7	13¼	*	CSFB	*
‡J. C. Penney	100	1986	6	12⅜	100	CSFB	12.375
†Banca Nac. Argentina	25	1987	7	6Φ	100	Daiwa (Europe)	6.060Φ
§Tosco	50	1995	—	8-8½	*	Kuhn Loeb, SBC	*
NZ Forest Products	25	1988	8	12¾	100	Kidder Peabody, LBI	12.750
‡Ingersoll Rand	50	1995	11.9	13¼	100	Smith Barney	13.250
‡Citicorp Ov. Fin.	200	1987	7	12	99½	Morgan Stanley	12.110
‡Gen. Motors Ov. Fin.	100	1987	7	11½	99¼	Morgan Stanley	11.777
†Den Norske Creditbk	20	1990	10	6Φ	100	CSFB, Nordic Bank	6.183Φ
§Turbo Resources	25	1990	10	12½	*	Orion	*
†Soc. Gen. de Banque	100	1987	7	5¼Φ	100	CSFB, EBC, Soc. Gen. de B'que	5.319Φ
Comm. Fed de Elec.	75	1987	—	13	*	CSFB	*
††EIB	100	1988	8	12¾	100	Merrill Lynch W.W.	13.156
††EIB	100	2000	13.1	13¼	99½	Merrill Lynch W.W.	14.034
D-MARKS							
‡Forsmark	125	1987	6	8¾	100½	Commerzbank	8.826
‡**Westland-Utrecht	75	1987	7	9	99¼	WestLB	9.150
B. Cen. Costa Rica	50	1985	5	10	100	DG Bank	10.000
EIB	200	1990	10	8½	99½	Deutsche Bank	8.577
Midland Intl. Fin. Svs.	150	1990	10	8½	99	Deutsche Bank	8.653
‡**EDF	100	1988	8	8¼	99½	WestLB	8.338
FRENCH FRANCS							
‡Renault	300	1985	5	13⅝	99½	Soc. Gen., KIC., Morgan Guaranty Trust	13.770
SWISS FRANCS							
†Autopistas Aragon.	30	1990	—	6½Φ	99	Soditic	6.593Φ
‡Union Bank of Norway	40	1990	—	6⅛	100	UBS	6.125
Oesterreichische Kbk.	100	1990	—	6⅛	100	Wirtschafts-und Privatbk	6.125
‡Council of Europe	20	1986	—	6⅜	100	Soc. Gen. Alsac. B'que	6.375
‡**Uneed	20	1985	—	6	100	SBC	6.000
**Dome Petroleum	100	1986	—	6	100	Credit Suisse	6.000
‡**EIB	50	1986	—	6¼	100	Kredietbank (Suisse)	6.250
STERLING							
‡ECSC	20	1988	8	13½	100	H. Sam., K. Ben., Warb'g	13.500
LUXEMBOURG FRANCS							
**Sparbankernas Bank	250	1987	5½	11¾	100	Kredietbank (Luxem.)	11.750
**F.G. Hypotheekbank	250	1985	5	11½	100	Kredietbank (Luxem.)	11.500
YEN							
‡Eurofima	10bn	1988	8	8¾	100	Nikko Securities	8.750
AUSTRALIAN DOLLARS							
‡§MEPC	12.5	1996	15	8¾	100	Morgan Grenfell	8.750

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

The going gets tougher for Brazil

BRAZIL has discreetly raised the permitted margin on external borrowings by commercial banks for on-lending to domestic customers to 2 per cent from 1¾ per cent. The increase, which Brazilian sources describe as unofficial, is only applicable to larger amounts, but it comes at a time of renewed anxiety in the banking community about the slow progress the country is making in raising medium-term funds abroad.

While the development bank, BNDE, still has not found a bank ready to take on a mandate for its forthcoming \$200m credit, one of the country's largest private sector banks, Bradesco, is raising a credit on the new permitted margin of 2 per cent through European Brazilian Bank. It is a club deal for an unspecified amount over eight years with two and a-half years' grace.

Such bank borrowings, the so-called Resolution 63 loans, are always subject to a maximum permitted margin. Officially this margin still stands at 1¾, but the fact remains that exceptions are being made on criteria that appear to have been left deliberately vague. Expectations are that the higher spreads on these loans will quickly be generally applied.

Resolution 63 credits normally do carry higher margins than public sector loans and the increase in spreads should restore a differential between the two forms of business that has been unusually narrow in recent weeks, but some bankers are still doubtful about whether it will be enough to attract large amounts of new money.

It now looks unlikely that Brazilian public sector borrowers will manage to raise all their required funds abroad this year, but with short-term borrowing, use of reserves and Resolution 63 credits the country should still be able to meet its overall foreign exchange requirements at least until the end of the year.

Another country feeling the chill wind of disfavour in the Euromarkets is Argentina, although its problems differ from those of Brazil. Its current credit for the state oil concern, YPF, is going very slowly in syndication and banks appear reluctant to commit themselves to the next scheduled borrowing for the development bank, BND.

In part this is out of the belief that spreads on Argentinian credits are turning upwards. The market is saturated with Argentinian paper and the YPF transaction has met at least some conflict with a simultaneous bilateral borrowing exercise being undertaken by Banco de la Nacion.

In Spain, where the formal mandate for a \$150m borrowing by the state financing concern, ICO, is still awaited, the electric utility, Fenosa, is raising a \$100m eight-year credit with a margin of ⅜ per cent over U.S. prime rate.

Bank of America has the mandate for this deal, which is structured to attract interest from regional banks in the U.S. The margin is a generous one for a Spanish borrower, although fees are said to be rather thin.

Prime-based credits normally carry lower margins than those on Libor-related deals. Fenosa is a privately-owned utility, but recent Spanish public sector borrowings have been awarded margins of around ½ per cent over Libor.

Syndication of the \$250m Eurocredit for the Republic of South Africa closed on Friday. Some replies are still outstanding but the lead manager, Dresdner Bank, is confident that the final sell-down, including commitments by the management group, will exceed 50 per cent.

U.S. BONDS

BY DAVID LASCELLES

Settled despite the political crossfire

DESPITE ALL the political cross-fire in the run-up to the election the credit markets have become noticeably more settled in the last few days, and the chances of a decline in interest rates seems to be growing.

For the second week running, the latest money supply figures showed a drop on Friday, bringing the long-term rate of growth back inside the Federal Reserve's targets.

This was not altogether a surprise—economists had been predicting a fall as much as a month ago. But the markets are pleased to see their expectations confirmed. Whether this leads to any easing of the Fed's stance, though, is a different matter. The guardian of the currency has kept the key Fed funds market (where short-term inter-bank funds are traded) on a tight rein, steering the rate between 12 and 13.5 per cent, well above the single-digit rate that prevailed during the summer.

And it will probably want to keep it that way for a while—at least until the money supply figures show several weeks of more moderate growth. Chase Manhattan Bank's credit market analysts calculate that unless growth rates for M1-A and M1-B are below 2 and 4 per cent respectively over the October-November period, there may even have to be some tightening. Because of the surge in September, the recent quarterly rate of growth has been many times that.

For seasonal technical reasons, the Fed will have to supply a lot of funds to the market in the days ahead, but this will not constitute an easing.

The market generally expects the Fed to resist mounting political pressures (in the form of outspoken attacks from the White House) to bring interest rates down, a token of its faith in Mr. Paul Volcker, its chairman. In many ways, though, the time for worry on that front is over, because the Fed would be powerless anyway to bring about major changes in time for the election, which is now less than four weeks away.

Meanwhile, expectations of a decline in rates are growing: the economy is only sputtering, and a surge in loan demand seems unlikely. Inflationary expectations seem to have settled in the 8-10 per cent range,

U.S. INTEREST RATES (%)

	Week to Oct. 10	Week to Oct. 3
Fed funds wkly. av.	12.01	13.27
1-month Treas. bills	11.05	11.00
3-month CDs	12.50	12.70
30-year Govt. bonds	11.22	11.67
AAA Utility	12.90	13.00
AA Industrial	12.38	12.50

Source: Salomon Brothers estimates.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Oxygen F. 10¾ 90	50	84½	85	+0⅛	+0⅛	13.64
CECA 11½ 88	100	94⅞	95⅜	+0⅛	+1⅞	12.55
Citicorp O/S Fin. 10 86	300	90	90½	0	+1⅛	12.45
Con. Illinois O/S 9¾ 86	150	88¾	89¼	0	+1⅛	12.53
Denmark 11¾ 90	100	93¼	93¾	+0⅛	+1⅛	12.84
Dome Petroleum 13½ 92	50	101	101½	−0⅛	+0⅛	13.25
EEC 11 95	75	88¼	88¾	+0⅛	+2⅛	12.75
EEC 11 95	70	87⅞	88⅜	+0⅛	+0⅛	12.86
EIB 13¾ 90	100	103¼	103¾	+0⅞	+1⅛	13.05
Eksportfinans 9½ 87	75	87	87½	0	+1⅛	12.37
Elec. de France 10 88	125	88⅞	89⅛	+0⅛	+1⅞	12.26
Export Dv. Cpn. 12¾ 87	100	101	101½	+0⅛	+1⅛	12.42
Export Dv. Cpn. 9½ 86	150	89⅛	89⅝	+0⅛	+1⅝	12.33
Federal Dev. Bk. 12¾ 85	76	99¼	99¾	0	+0⅞	12.35
Fin. Exp. Credit 10½ 85	50	91	91½	−0⅛	+0⅛	13.06
Finland Rep. of 9½ 86	100	86⅝	86⅞	+0⅛	+0⅛	13.09
Ford O/S Fin. 12⅜ 85	250	98⅛	98¾	+0⅛	+1⅛	13.02
George Weston 13½ 87	30	100⅛	100⅝	+0⅛	+0⅛	13.37
GMAC O/S Fin. 13⅛ 85	100	101⅞	102⅜	0	+0⅞	12.67
GMAC O/S Fin. 12 87	100	96⅛	96⅝	+0⅛	−0⅛	12.81
Goodyear O/S 12⅝ 87	75	98⅜	98⅞	+0⅛	+1	12.78
Hudson's Bay 11½ 90	75	92⅞	93⅜	+0⅛	+1⅛	12.77
IBM Canada 10½ 85	50	95⅞	96⅛	+0⅛	+1⅛	11.65
ICI Fin. Ned. 11 83	100	96⅞	97⅛	+0⅛	+1	12.33
Int. Harvester 12¾ 85	115	98½	99	+0⅛	+0⅛	13.08
McGraw 13½ 85	75	100⅞	101⅛	+0⅛	+1⅛	13.13
NorWest Ind. 13⅜ 87	50	99⅞	100⅜	+0½	+0⅞	13.54
Nova Scotia 10⅜ 90	50	88⅜	88⅞	+0⅛	+0⅛	12.84
OKB 10 85	50	92⅜	92⅞	+0⅛	+0⅞	12.10
Pembroke Capital 9⅝ 87	100	†86⅞	87⅛	+0⅛	+0⅛	12.57
Pemex 11½ 88	100	92⅛	92⅝	+0⅛	0	13.10
Quebec Hydro 11½ 92	100	89⅞	90⅛	+0⅛	+1⅛	13.18
Repsteel O/S 11½ 88	100	88¾	89¼	+0⅛	+1	13.88
Royloase 11⅛ 85	50	96½	97	+0⅛	+1⅛	12.16
SNCF 12⅜ 85	50	100⅝	101⅛	+0⅛	+1⅛	12.07
Sweden 12⅝ 85	150	98½	99	−0⅛	−0½	12.72
Swed. Ex. Cred. 12½ 85	40	98⅜	98⅞	−0⅛	+1⅝	12.90
Transamerica 12⅞ 83	50	97½	98	+0⅛	−0⅛	13.32
UB Finance BV 11 90	50	85⅞	86⅜	+0⅛	+1	13.65
Unilever NV 9¾ 90	100	84⅞	85⅜	+0⅛	+1⅛	12.45
World Bank 9⅜ 85	200	91⅛	91⅝	+0⅞	+1	12.20
World Bank 10⅜ 87	300	90⅜	90⅞	+0⅛	+1½	12.36

Average price changes... On day +0⅛ on week +1⅛

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C\$	60	93½	94	+0⅛	+1½	12.32
CIBC 13½ 85 C\$	50	99⅛	99⅝	−1⅛	−0⅛	13.63
CIBC 11½ 85 C\$	60	93⅞	94⅜	0	−0⅛	13.16
Federal Dev. 11½ 90 C\$	60	88	89	0	+1	13.68
Fst. Con. Inv. 10 84 C\$	50	90½	91	0	+0½	13.40
GMAC 12 85 C\$	50	†93½	95½	0	+1½	13.61
R. Bk. Canada 10 86 C\$	40	92½	93½	0	+1⅛	11.74
Tordom Cpn. 13½ 85 C\$	30	100½	101½	0	+1⅛	13.14
M. Bk. Dnmk. 9 91 EUA	25	93⅜	95	0	−0⅛	9.85
SOFTE 8¾ 89 EUA	40	88⅞	89⅞	−0⅛	−0⅛	10.16
U. Bk. Nrwy 9½ 90 EUA	18	99⅛	100⅛	0	0	9.48
Algemene Bk. 10¾ 87 Fl	400	100⅝	101⅛	+0⅛	+1⅛	10.05
Bk. Mees & H. 10 85 Fl	75	101⅛	101⅝	+0⅛	−0⅛	9.61
F. G. Hypo 9¾ 87 Fl	60	97	97½	+0⅛	+0½	10.32
Heineken NV 10 87 Fl	75	99⅛	99⅝	0	−0⅛	10.09
Nat. Inv. Bk. 10 87 Fl	75	99⅛	99⅝	+0⅛	+0⅛	10.09
Nat. Neder 9½ 87 Fl	60	97	97½	+0¼	+0⅛	10.06
Neder Mdn Bk. 10 85 Fl	75	102½	103	+0⅛	+0½	9.27
Aero Paris 13½ 87 FFr	150	97⅝	98⅛	0	+0⅛	13.54
CECA 14¾ 86 FFr	150	101⅞	102⅞	0	−0⅛	13.55
Finland 11 84 FFr	80	91⅛	92⅛	+0¼	+0⅛	13.76
Finland 11½ 89 FFr	70	89⅛	90⅛	−0⅛	−0⅛	13.56
Gaz de France 11 84 FFr	150	92½	93½	+0½	+0⅛	13.33
IBM France 11⅞ 84 FFr	120	93½	94½	−0⅛	−0⅛	13.80
Renault 9¾ 85 FFr	100	86⅛	86⅝	+0⅛	+0⅛	14.07
Solvay et Cie 9¾ 87 FFr	125	82	83	−0⅛	0	13.97
Utd. Mex Sts. 14 85 FFr	150	99	100	0	+0⅛	14.09
Beneficial Fin. 14¾ 90 £	20	99⅜	100	0	+0⅛	14.28
BNP 13½ 91 £	15	98⅛	98⅞	−0⅛	−0⅛	13.75
Citicorp O/S 13½ 90 £	50	98⅜	99⅛	+0⅛	+0⅛	13.66
Fin. for Ind. 14½ 88 £	20	101⅝	102⅜	−0⅛	+0⅛	14.00
Fin. for Ind. 13¾ 87 £	20	99	99½	0	−0⅛	13.92
Gen. Elec. Co. 12½ 89 £	50	95⅛	96	+0⅛	−0⅛	13.36
Peugeot SA 14 90 £	23	99⅜	100	+0⅛	+0⅛	14.05
Rothschild 14¾ 90 £	12	99½	100	−0⅛	+0⅛	14.30
Swed. Ex. Cr. 15¾ 85 £	20	104⅞	104⅞	0	+0⅞	13.77
Banobras 8¾ 90 KD	7	†90⅝	91⅛	0	0	9.75
CCCE 8⅛ 91 KD	10	†86⅛	†86⅞	0	−0⅛	10.26
Sonatrach 8½ 90 KD	12	†91⅛	91⅞	0	0	9.88
Akzo 9¾ 87 LuxFr	500	92⅛	93⅛	0	−0⅛	10.77
Euratom 8 87 LuxFr	500	85½	86½	+0⅛	−1⅛	11.13
Euratom 9¾ 88 LuxFr	500	96⅝	97⅝	−0⅛	−0⅛	10.37
EIB 9¾ 88 LuxFr	600	97⅛	98⅛	−0⅛	−0⅛	10.21
Volvo 9¾ 87 LuxFr	500	94⅛	95⅛	0	−0⅛	10.86

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

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BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Oct. 10 ...	n.a.	n.a.	n.a.	n.a.
Oct. 3 ...	n.a.	n.a.	n.a.	n.a.
High '80 ...	93.58	(18/6)	89.19	(2/1)
Low '80 ...	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER (nominal value in \$m)

U.S. \$ bonds	Cedel	Euroclear
Last week	995.3	2,711.0
Previous week	1,089.1	2,805.3
Other bonds		
Last week	517.4	398.5
Previous week	275.0	448.7

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Orion Bank; Salomon Brothers International; Samuel Montagu and Co., Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on October 10

WORLD STOCK MARKETS

NEW YORK

1980 High	1980 Low	Stock	Oct. 10
44¾	27½	ACF Industries	44¾
22⅝	11⅝	AMF	19¾
24⅝	14½	AM Intl	15¼
36⅞	25	ARA	32⅞
91	37½	ASA	91
35¼	17	AVX Corp	33¾
65	34½	Abbotts Labs	52½
33⅞	19	Acme Cleve	27¼
56	29⅞	Adobe Oil & Gas	55¾
40	30	Aetna Life & Cas	38⅝
24¾	15	Ahmanson (H.F.)	20⅝
54	32⅝	Air Prod & Chem	51⅛
16¾	8¾	Akzona	11¼
36⅝	23⅛	Albany Int'l	31½
16⅞	7⅝	Alberto-Culv	16¼
24½	16½	Albertson's	21
38½	23	Alcan Aluminium	36⅝
35	25⅝	Alco Standard	33¼
38½	23½	Alegheny Ludm	38
60⅛	42¼	Allied Chemical	55½
25	19⅛	Allied Stores	22⅝
34	23	Allis-Chalmers	31⅝
18	12	Alpha Portd	16½
76¾	53	Alcoa	71¾
61⅛	23½	Amal. Sugar	61⅛
58½	40½	Amax	45⅞
38⅝	20½	Amerada Hess	38⅝
11¼	6¾	Am. Airlines	8¼
87¾	69	Am. Brands	82⅝
38	26¼	Am. Broadcastg.	32⅝
36¼	27½	Am. Can	33½
37⅛	23⅛	Am. Cyanamid	27¼
19⅝	15¼	Am. Elect. Pwr.	17⅝
86⅝	25½	Am. Express	37
40½	25½	Am. Gen. Insnce.	39⅝
23¾	15¼	Am. Hoist & Dk.	21¾
31⅜	21½	Am. Home Prod.	28⅞
45⅝	24	Am. Hosp. Supply	45
58⅜	28¾	Am. Medical Int.	57
9⅛	4⅝	Am. Motors	5⅛
53¾	40⅞	Am. Nat Rescs.	45½
70	31	Am. Petfina	65
42½	23½	Am. Quasar Pet.	41¾
72¾	45¼	Am. Standard	71⅝
30	20¼	Am. Stores	28¼
55¾	45⅛	Am. Tel. & Tel.	51⅛
35⅝	22⅛	Amfac	34¼
51¾	33¼	AMP	50
33⅛	16⅛	Ampex	33⅛
30⅜	14¼	Amstar	30⅜
47⅝	30⅜	Amstead Inds.	44
21	14	Anchor Hockg.	18⅞
51⅛	31	Anheuser-Bh	28⅝
30	19½	Arcata	24½
41⅝	25	Archer Daniels	41
33⅞	23¼	Armco	33¾
18½	13⅝	Armstrong CK	15
27⅛	15½	Asamera Oil	20¼
57½	30⅛	Asarco	50⅜
41⅝	27¾	Ashland Oil	38⅝
28⅛	17⅛	Assd D Goods	25
59⅝	38¾	Atlantic Rich	59⅝
51⅝	32¾	Auto-Data Prg	50½
29	19⅛	Avco	27½
24¾	15½	Avery Intl	24⅜
43½	21⅝	Avnet	43½
40⅜	32⅛	Avon Prods	36⅛
42¾	26⅝	Baker Intl.	42⅛
24	18½	Balt. Gas & El.	21⅝
41⅛	20½	Bancal Trist.	27½
50½	16⅝	Bangor Punta	27⅝
27½	20½	Bank America	25½
36⅝	27⅛	Bank of NY	34¾
58⅝	36½	Bankers Tst. N.Y.	55
23¼	10⅝	Barry Wright	21⅞
61	32¼	Bausch & Lomb	59¼
56¼	36½	Baxt Trav Lab	54
24⅜	17	Beatrice Foods	20⅛
36	23⅜	Beckman Instr.	35
20⅛	9½	Belcor Inds.	19
29⅝	18⅜	Bell & Howell	29¼
16¼	6¾	Bell Industries	14⅞
69¼	38¾	Bendix	53⅜
26⅜	17⅝	Beneficial	21⅞
27⅜	19	Beth Steel	25
70¼	40	Big Three Inds.	70¼
23¼	17⅝	Black & Decker	19⅜
36	22	Block HR	33½
37⅛	23⅜	Blue Bell	29
41⅝	32	Boeing	39⅝
41⅞	27½	Boise Cascade	37
27½	19⅝	Bordon	27⅛
43⅝	30	Borg-Warner	43

1980 High	1980 Low	Stock	Oct. 10
46	36	Columbia Gas	40⅛
37	27	Columbia Pict.	33½
20¾	18⅛	Combined Int.	19¼
94¾	47¾	Combustn. Eng.	93¼
13¼	6⅝	Combustn. Equip	7⅜
22⅞	17⅛	Cmwlth Edison	19¼
46⅝	30¾	Comm. Satellite	45¼
3⅞	1½	CIG	2⅛
29½	16⅝	Comp. Science	21¼
43¼	31¼	Cone Mills	41
50½	29⅝	Conn Gen Ins.	47½
68⅝	41⅝	Conoco	61⅜
24⅛	14⅛	Conrac	17¾
26½	20	Cons Edison	24½
27	20	Cons Foods	23⅝
29⅝	15⅛	Cons Freight	26⅝
48½	37¾	Cons Nat Gas	46⅜
21½	15⅝	ConsumerPower	17⅝
11	6¾	Contl Air Lines	7⅝
30⅛	22	Contl Corp	27¾
33	26⅝	Contl Group	33
31⅛	21⅝	Contl Illinois	29¼
16⅛	12¾	Contl Telep	16¼
77⅛	44⅝	Control Data	76¾
51	29⅝	Cooper Inds.	51
20⅝	9½	Coors Adolph	20⅜
25¼	18¼	Copeland	23¼
22¼	16¼	Copperweld	19⅝
71⅞	45⅝	Corning Glass	69½
29¼	20	Corroon Black	26½
61	30	Cox Broadcast'g	54⅝
44	31½	Crane	38½
37⅛	24⅝	Crocker Nat	37⅛
31	23	Crown Cork	27⅝
54⅞	33¾	Crown Zell	53½
36⅝	23	Cummins Eng	31
30	15¾	Curtiss-Wright	26⅞
12⅝	3⅞	Damon	11½
26⅝	16⅞	Dana	23⅜
47¾	35¼	Dart & Kraft	44
86¾	53½	Data Gen.	77¾
53	37	Dayton-Hudson	47½
41⅝	28⅝	Deere	41¾
51	31½	Delta Air	44½
21⅛	11⅞	Den'nys	17¾
20½	12½	Dentsply Intl.	19
13½	11	Detroit Edison	11⅞
50	28½	Diamond Intl.	35¼
36¼	25½	Diamond Shamk	33⅞
14⅜	7⅜	DiGiorgio	9⅛
95½	68⅞	Digital Equip	93¼
17⅞	8½	Dillingham	17¼
19	14⅛	Dillon	16¼
53¼	41⅛	Disney (Walt)	45⅛
131	50¾	Dome Mines	123¾
38¼	23¾	Donnelley (RR)	34⅞
52¼	30¾	Dover Corp	48½
38¾	29	Dow Chemical	33⅝
57¼	35⅝	Dow Jones	54¾
85	39½	Dresser	82½
16⅛	9⅞	Dr. Pepper	13
19⅛	14¼	Duke Power	17¾
56⅞	35⅛	Dun & Brad	56⅞
49½	32⅞	Du Pont	44
55¼	23	E G & G	41⅝
18⅞	13⅝	Easco	17
11½	6⅛	Eastern Airlines	8
28½	16⅝	Eastern Gas & F.	26⅝
70¾	43⅜	Eastman Kodak	67½
34¼	20¼	Eaton	29¾
18⅝	11¼	Echlin Mfg	14¼
33¼	19¼	Eckerd Jack	32⅝
37½	18¾	Electronic Data	34
8⅝	3⅝	Elect. Memories	7
30¼	16¼	El Paso	23⅝
40¾	29⅞	Emerson Elect	36⅞
18⅛	12½	Emery Air Fgt	16½
35⅝	23¼	Emhart	33½
60⅝	24½	Englehard MC	59
44	25⅝	Enserch	43⅜
14⅜	6⅞	Envirotech	13
62	25	Esmark	53⅝
34½	22⅝	Ethyl	34⅜
25⅝	16½	Evans Prods.	24⅛
45⅞	26⅝	Ex Cell O	39¾
75½	52⅜	Exxon	75⅛
30⅞	21¾	FMC	26⅞
15½	9⅞	Faberge	14½
5½	3	Fedders	4⅞
49¾	26	Federal Co.	48½
21¾	12½	Federal-Mogul	20½
17¼	11⅞	Fed. Nat. Mort.	14⅝
34⅝	23⅛	Fed. Paper Brd	29

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

FRANCE

AUSTRALIA

SOUTH AFRICA

Financial Rand US$0.961 (Discount of 27½%)

BRAZIL

TEL AVIV

SINGAPORE

AUSTRIA

BELGIUM/LUXEMBOURG

GERMANY

DENMARK

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

NEW YORK ACTIVE STOCKS

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

UK NEWS

French and Italian Press receive BL's Metro favourably

BY JOHN GRIFFITHS

THE TWO European markets offering the greatest potential for sales of BL's long-awaited Metro model have given the car generally favourable treatment in their national and motoring Press.

The Metro is launched in the UK tomorrow after receiving enthusiastic motor Press reviews and with orders from UK customers already worth more than £80m. But whether the car is finally judged to be a success depends on how well it fares in Europe when it goes on sale there in April.

Mr. Tony Ball, BL's marketing director, expects the UK to absorb up to 2,000 cars a week. But production is due to have risen to 6,500 a week by the second quarter of next year, so success in Europe is vital.

The car has had a fourable reception in France, regarded as the most promising outlet, though its absence at the Paris motor show was criticised by most French motoring correspondents.

Few newspapers have published road tests. But those who have consider that the Metro, in spite of coming many years too late, is a worthy descendent of the original Mini which proved particularly popular in France.

What struck most of the experts is not so much the Metro's fuel economy, which is marginally better only than that of the Renault 5, as its exceptional spaceousness and excellent suspension.

"Technically, this model should reconcile users with the British industry. It is evident that the Metro is like the 'ideal small car' which many European car-makers would have liked to have designed," Le Martin, the Paris morning paper, said.

Another prominent Paris newspaper, Le Figaro, also praised the British Leyland designers for their ingenuity in producing such a roomy small car. But it regretted that it was available only in a three-door version.

Quattroroute, the most authorative Italian magazine in the motoring sector, said: "Is is a super-Mini? Super is a bit much: we might say that the Metro is a rather larger Mini, rather more comfortable and in fact more conventional."

Motor, another leading magazine, says: "Room inside is quite ample. Tested extensively on the narrow and hilly roads of the English countryside, the car showed great stability and good road-holding on bends." The general impression given by the magazine is that the car is well produced but basically a more modern version of the 20-year-old Mini.

The West German market, which BL traditionally has found difficult to penetrate, has yet to provide detailed assessments of the car.

New look for Sunbeams

TALBOT SUNBEAMS take on a new look today for 1981. All versions except the Sunbeam Lotus receive specification and visual changes and make their UK debut at the Motor Show, in the National Exhibition Centre, Birmingham, on Wednesday.

Different radiator grille, headlamps and front indicator units plus new body colours with a black finish to the sills, are the most noticeable external changes.

On the road, Talbot says, drivers will notice the lower interior noise level due to improved sound insulation. The new models also have improved suspension and greater fuel range with a new 45 litre (10 gallon) petrol tank.

The 1.0 LS and GL engine has a number of improvements to give increased power (45 bhp) and better fuel consumption. The new official consumption figures are 48.4 mpg at 56 mph and, for urban driving, 39.8 mpg.

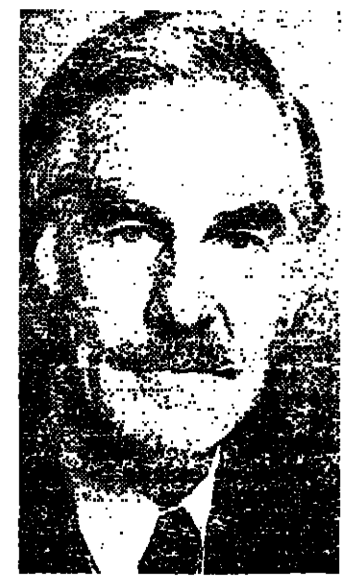
In addition to the improvements on the other models, the "GLS" is now fitted with green-tinted glass all round as standard and receives a remote-control door mirror, black door handles and new-style seat covering.

At the top end of the range, the "TI" gets an additional facelift with a revised paint-and-tape finish. Standard equipment now includes a push-button radio, quartz clock and central console. Fuel consumption is also improved with revised carburetter settings.

APPOINTMENTS

Edbro managing director

Mr. Geoffrey Buckley has been apointed group managing director of EDBRO (HOLDINGS). He was previously a director of Stone-Platt Industries and before that a director of Ford Motor Company, where he was in charge of the tractor division.



Mr. Geoffrey Buckley

★

Mr. Alan Preston is to be appointed by the MINISTRY OF AGRICULTURE as its director of fisheries research from November 1. He will succeed Mr. Arthur J. Lee, who is retiring.

COBBLE BLACKBURN has acquired the PICKERING BLACKBURN GROUP. Two new divisions of Cobble are being formed and they will trade as Pickering and PEP. Mr. G. Livesey, who is managing director of Cobble Blackburn, will also become managing director of the subsidiaries. Other senior executives are Mr. H. Priestly, operations; Mr. M. T. Allen, marketing; Mr. G. R. Howarth, personnel; Mr. H. B. Bardsley, engineering; and Mr. N. Speirs, financial controller.

★

Dr. Charles E. Virehaux is to resign for health reasons as chairman of GIRARD-PERREGAUX SA, of Switzerland, but will remain on the board. He will be succeeded by Dr. Clo Duri Bezzola.

★

Mr. Philip E. McCarthy and Mr. John J. Moran have been elected vice-presidents of INCO LIMITED.

★

MACDONALD PHOEBUS has been formed to take over the trading of Macdonald Educational and Phoebus Publishing Company following the merger. The board of the new company is Mr. Peter Morrison, chairman and chief executive; Mr. Mike Emery, production (adult); Mr. Philip Hughes, production (children); Marlene Johnson, finance; Mr. Stephen Lane, commercial; Mr. Stephen Pawley, foreign rights and special editions; Mr. Ken Pickett, sales; and Mr. Nicholas Wright, editorial.

★

Mr. John Reid has been appointed to the board of FISONS pharmeceutical division as director for European operations. He was previously with the Boots Company where he was area director for Europe.

★

Mr. Michael C. E. Lion has been taken into partnership by PHILIPP AND LION, ring dealing members of the London Metal Exchange.

★

Mr. William J. O'Donnell and Mr. Michael J. Harborow have been appointed to the Board of LONDON AND LIVERPOOL TRUST following the acquisition by that company of Hartley Precision Engineering Company and Talbographic. Mr. Alan W. Sandland has become company secretary of London and Liverpool Trust.

★

Mr. Stephen J. Keynes and Mr. Michael D. Harrison have been elected directors of the English Association of American Bond and Share Holders, which is to change its name to the ENGLISH ASSOCIATION GROUP from October 31.

Mr. Keynes is a director of Sun Life Assurance Society and of Premier Consolidated Oilfields. Following his appointment to the English Association, he has resigned his directorships of Arbuthnot Latham Holdings and its associated companies, but for the time being he will remain as a consultant to that company. Mr. Harrison, a chartered accountant, was appointed secretary and financial controller of the English Association in April last year.

★

Mr. P. J. Spooner has been appointed secretary of STANDARD CHARTERED BANK in succession to Mr. L. R. Bishop, who has retired from the bank.

★

The Secretary for Trade has appointed Mr. Neil Salmon as a new part-time member of the MONOPOLIES AND MERGERS COMMISSION for three years. Mr. Salmon is deputy chairman of J. Lyons and Co. and a director of Allied Breweries.

★

Mr. Maurice R. Ashford has been appointed a director and general manager of INNSWORTH METALS, a Dowty Group company.

★

Mr. J. F. Nash has been appointed chairman of WOLVERHAMPTON STEAM LAUNDRY following the death of Mr. T. Hampson Silk.

★

Mr. Peter Fielder and Dr. John Head have been appointed to the Board of EWBANK AND PARTNERS. Mr. Fielder has been the company's chief electrical engineer since 1976. Dr. Head joins Ewbank from Crest Engineering where he was chairman and managing director of Crest Offshore and technical director of Crest Engineering (UK) Inc. Mr. Charles Hodgson has retired from the Ewbank Board.

★

Mr. J. H. Purdie has been appointed financial director of KEY TERRAIN, a subsidiary of Reed International.

★

Mr. B. F. Ridal has been appointed engineering director of SIM-CHEM. He was previously a senior project manager of that company and succeeds Mr. W. M. Sherrington, who has been seconded to the Department of Industry, north-west region.

★

Mr. I. B. Scott has been appointed a divisional director of ARTHUR BELL AND SONS and has been succeeded as managing director of Canning Town Glass by Mr. Alan Thomas. Mr. Scott remains a director of Canning Town Glass.

★

Mr. F. J. A. Brown has been appointed director and general manager of MIDLAND BANK TRUST CORPORATIONS in Jersey, Guernsey and the Isle of Man, and Mr. K. B. Ineson, formerly assistant general manager, has become a director and deputy general manager. Mr. Brown was previously manager of European Asian Bank in Singapore, which is Midland's associate in the Far East.

★

Mr. G. H. Nuttall has been appointed deputy managing director of B. S. AND W. WHITELEY with special responsibilities for the company's production and engineering activities. He joined the company in April as production director.

★

Mr. W. A. Rogers has been appointed a director of ASSOCIATED NEWSPAPERS GROUP.

★

DEUTZ ENGINES, London, has appointed Mr. Chris von der Osten as general manager in charge of the air-cooled engine division. He succeeds Mr. J. Marterbauer, who is now based in Vienna as head of the Deutz distributor for Austria.

★

Mr. J. Rothuizen has been appointed president of the FEDERATION OF OILS SEEDS AND FATS ASSOCIATIONS. Mr. D. A. Shave has become vice-president and Mr. B. A. Chapman, honorary treasurer.

★

Mr. Reg Smith has joined the board of DORADA ENGINEERING with responsibility for sales and marketing. Mr. Peter Price has been appointed managing director of NEUBURGER PRODUCTS, succeeding Mr. Arthur Chambers, who has left the company. Mr. Peter Haslam has become a director and general manager of NORTH ROAD FOUNDRY and Mr. Duncan Provan has been made a director of that company. The parent concern is Dorada Holdings.

★

Major-General D. N. H. Tyacke has been appointed director of the BRITISH DIGESTIVE FOUNDATION.

★

Mr. Timothy Yeo has been appointed director of the SPASTICS SOCIETY from October 20. He was previously a director of Locana Corporation, Worcester Engineering, and Brookes Hotels.

★

Mr. George Fowkes, a director of IPC BUSINESS PRESS and chairman of the company's transport, electrical-electronic and industrial publishing groups, has been appointed to the Board of IPC Business Press in North America. He is also a director of IPC Exhibitions.

★

Mr. W. G. Stephens has retired as managing director of STEPHENS MIRACLO EXTREMULTUS but continues as chairman. Mr. A. I. Stephens and Mr. L. Brown have become joint managing directors.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● METALWORKING

Speeds the pressing

CONSIDERABLE increases in productivity could be achieved it is claimed, by using a strip feed attachment devised by E. W. Bliss (England) of City Road, Derby DEI 3RP (0332 45801).

The attachment has been designed for use when blanking and forming components from tinplate, aluminium and other sheet materials. Operating speeds between 50 and 250 components per minute, depending on size and type, are claimed to be possible.

Bliss says the attachment can be used with almost any type of open-backed inclinable (OBI) type press and that it can feed precut lengths of plain or lithographed strip to single or multiple dies.

The attachment has a magazine holding a stack of material up to 460 mm high, a feed table with a mechanism to accurately position the strip and powered scrap rolls located on the opposite side of the die area to eject the "skeleton" after the final cut.

Changes in the size of strip and in the number of cuts to be made in it are said to call for simple adjustments to side guides, two small gears, feed bars and feed rolls.

● COMMUNICATIONS

ICL uses packets

INTERNATIONAL Computers has announced that it is the first organisation to be connected to the UK packet switching network, at present still in the "pre-operational phase."

Packet switching is a method of transmission of data over telephone lines in which dedicated copper connections are not made between sender and receiver; instead, "packets" of the data are sent in small timed sections and are slotted into a continuous train of such packets that are being sent over the network in a timed sequence. Packets are "tagged" on sending, the tag being recognised only by the addressee's equipment which "captures" it from the train. Better use is made of the cables (all of which are fully occupied) and data can be sent when desired, at high speed and relatively cheaply.

The way the "train" is arranged will be known as "X25 protocol" in the UK and this was used in ICL's hook-up in which the company's model 7500 terminals were used between Putney and Letchworth.

British Telecom has opened its packet switching service (PSS) in the preliminary phase between London, Reading and Bristol.

● ELECTRONICS

Power from sewage

WESSEX WATER Authority is to make use of the "distributed" concept in process control to manage plant functions and the generation of electrical power from processed sewage gas at the Avonmouth Recovery Works.

Such systems are based on the idea that microprocessor-based outstations can be used to collect and process much of the data from the plant, sending back to a central point only that needed to provide suitable monitoring and control data.

This particular system is being supplied by Base Ten Systems of Farnborough (Hants) (0252 517665) with the company's dMACs units linked to a PDP-11 minicomputer at the centre.

Each outstation can deal with 255 channels of data, digital or analogue representing such items as engine speed, temperature, pressure and the status of valves, solenoids and on/off switches.

At the control room the minicomputer is linked to a colour graphics display unit which gives up-to-the-minute pictures of performance as well as trend information in the form of histograms.

Datapoint poised to tackle new markets

BY ALAN CANE

AN IMPORTANT memo has gone astray. All you know is the name—Smith—of the author, and that it concerns coffee futures. You log in to the computer system on your desk, type in "Smith ampersand coffee," and in moments the text of the missing document is on your visual display screen.

The computer system to perform this feat is called Aim and it is one of the principal developments in a marketing drive by Datapoint, a leading U.S. computer manufacturer.

Other weapons in Datapoint's bid are: a new and powerful computer, the 8800, to be launched November 14, a system for transferring information from one site to another which will almost certainly infringe the Post Office monopoly in this country, and new electronic message switching and word processing development.

The company announced last month that it intended to buy from TRW Datacom International, the sales network in 10 countries which already distributes Datapoint products. The net cost will be about US$100m to be financed partly by a new stock offering. Mr. Harold O'Kelly, the company's president, said "It is impossible for a company to grow at the rate at which we are growing and continue to be self-financing."

Last year, Datapoint turned over US$318m, an increase of 37 per cent over the previous year. Now it seems certain the company will buy Ventek of Wembley which distributes its products in the UK. Ventek shares are held chiefly by TRW and by the Canadian Development Corporation.

Datapoint is further ahead than most with a concept it calls the ARC system or attached resource computer.

The basic idea is very simple and elegant. Each application be it payroll, stock control or accounting has its own computer.

The data and the programs needed to run the application are held in a large memory equipped with its own processor (computer) and all parts of the system are linked by an information pathway (it is actually a coaxial cable) on which information travels at 2.5m bits a second. Conventional Datapoint processors are used in the ARC—it is the software which makes the system so powerful.

The new Datapoint big computer, the 8800, is the biggest machine the company has ever launched. It has a very large memory (one megabyte) but its chief advantage is a sophisticated operating system which combines management of the computer's resources with management of the database of information held in the system.

It will be of interest to users who need a large machine or who do not want to distribute their computer power geographically. Of course it fits into the ARC system and the software is completely compatible with the rest of the Datapoint range. It competes directly with IBM's distributed processing system, the 8100.

According to Mr. Gerald Cullen, vice president for market planning, each file of information in the AIM system is equipped with what he describes as a "hologram" which contains enough information for the computer to be able quickly to identify any word from the millions in its memory. Other manufacturers have devised such systems but the Datapoint version seems amazingly powerful.

Another development, Lightlink, is a device for transmitting information using infra-red light. It developed out of necessity.

Datapoint has some 39 separate sites in its home town of San Antonio in Texas and it found it convenient to link them using receiver / transmitters on the roof of the individual buildings.

The first Lightlink in the UK should be installed before the end of the year. It will transmit data across the M4 motorway between two Arc systems owned by a single company. The cost will be around £6,000.

Ventek the UK Datapoint distributor has warned the PO of its intentions—so far it has had no response.

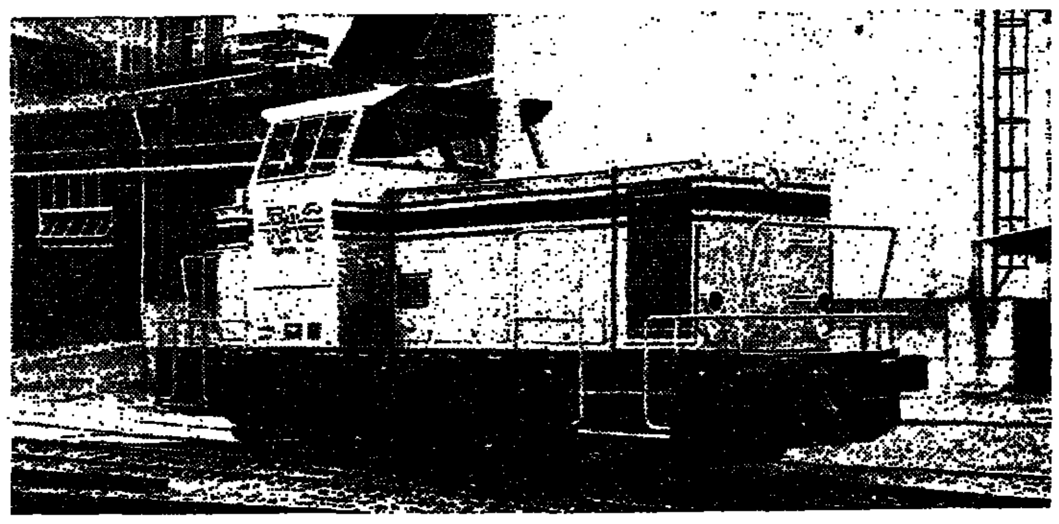
Lightlink is one example of Datapoint's interest in communications. The company has developed word processing and message switching systems that can be added to the Arc system to create the "electronic office."

It uses the system in its own customer service department where an army of girls handle 40,000 calls a month from customers. The system enables each girl's performance to be monitored to the second. According to Datapoint the girls are happy with the system and vie with each other to set the best performance. The company is experimenting with remote diagnostics where one computer is used to interrogate another, sickly, computer over the telephone.

Mr. Cullen believes the electronic office will only come about if computers are developed which can be used by the company president and the man on the assembly line. "They have a similar problem," he says, "All they want is a box that works."

That is the direction in which Datapoint is going. Mr. O'Kelley said within five years it would establish a technical centre and probably a manufacturing centre in Europe.

This is the first 500 kW diesel-electric standard locomotive with three-phase a.c. traction motors to be produced by Krupp MaK Machinenbau GmbH of Kiel, Western Germany. It is also the first in a range of 20 models designed for use on industrial sidings. The locomotive weighs 66 tonnes, has a top speed of 45 km/hour and is fitted with electrically controlled disc brakes. The central cab has two driving positions and the space under the rear cowling is used to house large components for the power transmission train. Next year a bogie locomotive with a 1120 kW power unit is to be produced.



● DATA PROCESSING

Minicomputer market is still buoyant

THE IDEA that the minicomputer is somehow being ousted by the micro — assuming that it is possible to define either with any great accuracy — is not really upheld by an extensive analysis just conducted by MSRA Inc. in the U.S. and now published in the UK by Keith Wharton Consultants, 27, George Street, Richmond, Surrey TW9 1HY (01-940 7366).

Main mesage of this 130-page £285 report is that the newer generation of faster 32-bit machines (most have been 16-bit in the past) is now making a real impact and is likely to have captured 22 per cent of the market by 1985. World market figure at the moment is $7.7bn, but this is expected to grow at an annual compound rate of 27 per cent over the next five years to a massive $25bn.

A highlight of the report is an examination of Digital Equipment's VAX 11/780, a 32-bit machine. There is a survey of users of this and other such machines now on the market.

In addition, the report looks at significant industry trends such as pricing, software, service, the mainframe/microprocessor threat and the emergence of new channels of distribution for small computers. There are market forecasts to 1985 for various user segments, applications categories, size class of machine, and international and domestic markets.

Comments are offered in the report on Computer Automation's recovery efforts (it lost $4m in 1979, states MSRA), the "phenomenal" growth of Datapoint — it has grown 700 per cent in revenues in the past five years — and Digital's chances of remaining the dominant company in the minicomputer industry.

● PACKAGING

Labelling awkward containers

BABY BOTTLES of Drambuie are receiving three labels — to the necks, fronts and backs — from a machine which is said to be the first ever rotary roll-feed, pressure-sensitive labelling machine, says Harlands of Hull, Land of Green Ginger House, Anlaby, Hull (0482 561166).

This promises new degrees of accuracy at speed in pressure-sensitive labelling for unusual container dressings in a number of industries, including cosmetics and toiletries, drink, food and toys.

On the line handling the Drambuie miniatures, the machine is equipped to take a fourth labelling head with speeds in excess of 100 per minute for less-complicated dressings.

The Harland machine can position labels on to specific features, such as recesses or contoured surfaces, with an accuracy better than 0.5 mm, whether they are single panel or wrap-round labels, says the maker. Products from 25 to 80 mm diameter, and 25 to 350 mm high, can be handled by the machine, which applies labels up to 150 x 220 mm.

● HANDLING

Designed for one-way trips

A FLOOD of cheap intermediate bulk containers (IBCs) has pervaded these shores from the Continent, with the result that the low-cost containers, ideal for one-off journeys, have been known to split in transit or cause problems during storage.

The company prominent on the IBC scene, Lolift (UK), say they have a cheerfully cheap product which matches in price (or even undercuts) cheap and nasty foreign imports, but are virtually idiot-proof.

Called the "E" (standing for economy) range, these are made from ultra-violet stabilised polypropylene fabric, have a stiffened broad fabric roof with a special tie which allows easier handling on a single tine or hook on a fork-truck, and when stacked fall into an easy to store and space-saving rectangular shape.

Fully protected from damp or contamination because of their heavy-duty, sealable polythene liners to containers cost £3.44 each.

More from the company at Halfpenny Lane, Knaresborough, North Yorkshire, (0423 864941).

They travel well

SAID TO be ideal for plant sales in supermarkets and other non-specialist outlets is a new plant pack which incorporates a clear plastic film with a breathable microporous film panel, announces Van Leer (UK), Van Leer House, West Byfleet, Surrey (Byfleet 41161).

The system has been developed through Anglo-Dutch co-operation and is now in use with a major Dutch plant wholesaler/exporter. It will eliminate the need for continual expert attention to travelling plants, and dispenses with special store environment, yet does not detract from pack presentation.

CONTRACTS AND TENDERS

COMPANY NOTICES

PERSONAL

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Junior Fashion Fair (01-636 1833) (until Oct. 15)	Hortcultural Halls
Oct. 14-16	Internepcon Conf. and Exbn. (01-390 0281)	Metropole Hall, Brighton
Oct. 14-17	Drive Electrice Exhibition (01-834 2333)	Wembley Conference Centre
Oct. 14-17	Mailing Efficiency Exhibition (01-405 6233)	Cunard Int. Hotel, W8
Oct. 15-26	International Motor and Commercial Motor Show —trade days 15-16 (01-235 7000)	National Exhibition Centre, Birmingham
Oct. 21-23	Conference and Exhibition on Marine Transportation and Storage of Bulk Chemicals (09237 76383)	Royal Lancaster Hotel, London
Oct. 21-24	European Offshore and Petroleum Conference and Exhibition (01-486 1951)	Earls Court
Oct. 21-24	London Fashion Exhibition (01-385 1200)	Olympia
Oct. 28-30	Electronic Test and Measuring Instrumentation Exhibition (0822 4671)	Wembley Conference Centre
Oct. 28-30	National Housing and Town Planning Exhibition and Conference (01-686 5741)	Metropole Hall, Brighton
Oct. 28-30	Control and Instrumentation Exhibition (01-855 7777)	Harrogate
Nov. 4-6	Computer Peripheral and Small Computer Systems Exhibition and Conference (01-837 3636)	Olympia
Nov. 4-9	Kensington Antiques Fair (04868 22562)	Kensington New Town Hall
Nov. 6-16	Caravan Camping Holiday Show (01-353 4000)	Earls Court
Nov. 8-16	Daily Mail International Ski Show (Medway 47111)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Exhibtion for Instrumentation and Automation — INTERKAMA (01-409 0956) (until Oct. 15)	Dusseldorf
Current	Fashion—Samples Fair—INTERCHIC (01-540 1101) (until Oct. 16)	West Berlin
Oct. 14-18	Business Machines and Equipment Exhibition (01-486 1951)	Helsinki
Oct. 15-18	Electrical, Mechanical and Civil Engineering Exhibition (Dublin 763871)	Dublin
Oct. 18-22	International Exhibition of Women's Readymade Clothing (01-439 3964)	Paris
Oct. 19-23	Hotel Equipment and Catering Exbn. (01-584 4411)	Vienna
Oct. 22-24	Hong Kong Electronics Show (021-705 6707)	Hong Kong
Oct. 23-29	International Exhibition of Inventors and Novel Features (01-278 0281)	Brno
Nov. 3-8	International Engineering Exhibition—ENKOR 01-(681 7688)	Seoul
Nov. 4-7	International Trade Fair for Clothing Textiles—INTERSTOFF (01-734 0543)	Frankfurt
Nov. 8-16	International Boat Show (01-540 1101)	Copenhagen
Nov. 9-14	Middle East Building Materials and Construction Industry Exhibition (01-486 1951)	Bahrain
Nov. 14-23	Mining Industry Technical Fair—TECNOMIN (01-681 7688)	Lima

BUSINESS AND MANAGEMENT CONFERENCES

Oct. 13-14	MSS Computer and Business Consultancy: Job Evaluation (0903 34755)	Worthing
Oct. 14-15	AMR International: Foreign Exchange Forecasts (01-262 2732)	Hyde Park Hotel, SW1
Oct. 16	IPS: Currency Differentials—A route to more profitable purchasing (0990 23711)	Kenilworth, Warwickshire
Oct. 16	Kearny/SMMT: Vehicle of the future—threat or opportunity? (021 6223195)	Metropole Hotel, Birmingham
Oct. 20-21	New York Management Centre: Direct investment in the U.S. (01-937 3163)	Hilton Hotel, W1
Oct. 22	Henley Centre for Forecasting: Retailing Leisure in the 1980s (01-353 9961)	Cumberland Hotel, W1
Oct. 23-24	British Institute of Management: Corporate Cash Distress (01-405 3456)	Piccadilly Hotel, W1
Oct. 23-24	Frost and Sullivan: Finance and Accounting for Non-Financial Executives (01-486 8377)	London
Oct. 24	Palace Publishing: Strategies for Surviving and Prospering During the Recession (01-439 3833)	Cafe Royal, W1
Oct. 27-28	AMR International: Planning and Control Techniques for Managing Maintenance Operations (01-262 2732)	Amsterdam
Oct. 27-30	Brunel Institute: Job Evaluation—The settling of differentials (0895 56461)	Uxbridge
Oct. 28	*The Institution of Production Engineers*: The Control of Automated Assembling Machines using I.C. Systems (01-579 9411)	London, W5
Oct. 28-Nov. 1	Admap: What Price Marketing? Justifying Expenditure in a No-Growth Economy (01-379 6576)	Vienna
Oct. 29-30	Institute of Personnel Management: Recruitment Advertising and Communications (01-387 2844)	Embassy Hotel, W2
Oct. 29	CBI/BASATA: India 1980 (061 707 2190)	Ld. Daresbury Htl, Warringt'n
Oct. 30-31	FT Conference: Australia—The Attractions for Future Investment (01-621 1355)	Melbourne
Oct. 30-31	AMD Legal: Essential Management Law—Refresher (07535 56047)	London
Nov. 5	Abacus: Health and Safety in the Printing Industry—Reducing the Risks: Avoiding Confrontation (0604 881300)	Mount Royal Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly *for the purpose of considering dividends and official indications are* not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
AGB Research, London International Press Centre, 76, Shoe Lane, EC, 12.00
Austin (James) Steel, Wakefield Post House, Queens Drive, Ossett, W Yorks, 12.00
Dale Electric Int. Rova Station Hotel, York, 12.00
Harrisons Malaysian Estates, The Baltic Exchange, 14-20 St Mary Axe, EC, 11.00
Murray Caledonian Inv Tst, 175 West George Street, Glasgow, 11.00
Raybeck, Savoy Hotel, Strand, WC, 12.00
Stirling Knitting, Stakehill Lane, Bentley Avenue, Middleton, Manchester, 12.00

BOARD MEETINGS—
Finals:
Glaxo
Green (R.) Props.
Tyzack (W. A.)
Interims:
Ash and Lacy
British Channel Ship Repairers
Canning (W.)
Edinburgh Inv. Tst.
Foster Bros. Clothing
Reed Executive
Rugby Portland Cement

DIVIDEND & INTEREST PAYMENTS—
AAH 5.024p
Aaronson 1.2p
Alliance Tst 3.25p
Do 4pcPrf 1.4pc
Do 5pcPrf 1.75pc
Do 4¼pcPrf 1.4875pc
Ault & Wiborg 0.75p
Austin (James) Steel 3p
Black (Peter) 2.78p
Collins (William) Ord & A 0.5p
Condor International 5p
Denbyware 2p
Dixon (David) 7.73p
Geller (A & J) 2.2p
Manchester Ship Canal 7.5p
Do 5pcPrf 3.5pc
Nu-Swift 0.84p
Quick (H & J) 0.53p
Second Alliance Tst 6.25p
Do 4½pcPrf 1.575pc
Slough Estates 1.1p
Vibroplant 9.275p

TOMORROW

COMPANY MEETINGS—
Shaw and Marvin, Allen House, 20, Newark Street, Leicester, 12.00
United British Securities, Bucklersbury House, 83 Cannon Street, EC, 12.00

BOARD MEETINGS—
Final:
Lake and Elliot
Interims:
Aberthaw and Bristol Channel Portland Cement
Ascd. Biscuit Mfrs.
Bankers Inv. Tst.
Barr and Wallace Arnold Tst.
Leaderflush
More O'Ferrall
North (M. F.)
Provident Life Assn. of London
Sellncourt
Senior Eng.
Shires Inv.
Time Prods.

DIVIDEND & INTEREST PAYMENTS—
AGB Research 3.5p
Bridgewater Ests. 4.5p
Cooper Inds 0.65p
Dale Electric International 2.725p
MacFarlane (Clansman) 1.7p
Pentos 1.4p
Raybeck 3.169p
Royal Bank of Scotland FltgRate Cap Notes 86-94 9$\frac{5}{16}$pc
Royal Dutch Petroleum 30pc
Spencer (George) 0.8p
Strathclyde Var Rate Red 1982 £8.96875

WEDNESDAY, OCTOBER 15

COMPANY MEETINGS—
Bogod-Pelepah, High Holborn House, 52-54 High Holborn, WC, 12.00
Christie-Tyler, The Angel Hotel, Cardiff, 12.00
Waring & Gillow, Hallam Tower Hotel, Sheffield, 12.00
Wholesale Fittings, Great Eastern Hotel, Liverpool Street, EC, 12.00
Wilson Peck, Hallam Tower Hotel, Sheffield, 12.00
Wintrust, Winchester House, 100 Old Broad Street, EC, 12.0
Wyndham Engineering, Hurman Street, Cardiff, 12.00

BOARD MEETINGS—
Finals:
Fairview Ests.
Goodwin (R.) (Engineers)
Lawrie Plantations
Sun Life Assurance
Interims:
City of Oxford Inv. Tst.
Ellis and Goldstein
Erith
Fogarty (E.)
Gerrard and Natl. Discount
Grampian Hldgs.
Lee Cooper
Marshall's Universal
Mowlem (John)
Secs. Tst. of Scotland

DIVIDEND & INTEREST PAYMENTS—
Arbuthnot Government Securities Inc & Cap Ptg Prf 3.19pc (4th)
Bell Canada 41cts
British Assets Tst. 4½pcPf. 1.575pc.
Do. A 5pcPf. 1.75pc
Canadian & Foreign Invest Tst Db 3¼pc
Clark (Matthew) 5.5p
Commercial Union Assurance Skg Db (series A) 43.755C
Crouch Group 3.325p
Debenhams Db 2¼pc
Diploma 7p
Eldridge Pope Lns 3½ 3¼pc
Flour Corp 20cts
Goode Durrant & Murray 3.5pcPrf 1.75pc
Greater London 9½pc 80-82 4¾pc
House Property of London 1p
Industrialisation Fund of Finland 9pcGtd Notes due 1984 4½pc
Isle of Man 3½pc 53-83 1¾pc
Jacobs (John I) 0.7p
Manders 5pcPrf. 1.75pc
Metropolitan Water Bd Southwark & Vauxhall WW 3pcDb 1½pc
Morgan (JP) 70cts
Murray Caledonian Invest Tst 1.3p
National Development Ln 9¼pc 92-97 4⅞pc
Norcros Deb 7⅞pc
North British Props Ln 4¼pc
Occidental Petroleum 50cts
Opperman Deb 3⅞pc
Quaker Oats 40cts
Richards 4pcPfd 1.4pc
Do. 5½pcPrf 1.925pc
Saul (SF) Real Estate 5cts
Schlumberger 25cts
Scottish Agricultural Secs. Corp 7pcDb 80-83 3½pc
Societe Generale Fltg Rate Notes due 1991 24.28
Treasury 5pc 86-89 2½pc
Union Steel Corp (of South Africa) Preferent B 8cts
Waring & Gillow 4p
Warner Estate 10¾pcPrf 5.375pc
Watney Mann & Truman Deb 3pc
Westminster (City of) 13pc 1981 6½pc

THURSDAY, OCTOBER 16

COMPANY MEETINGS—
British Electric Traction, Connaught Rooms, Great Queen St, WC, 12.15
Douglas (Robert M), 395 George Road, Erdington, Birmingham, 12.00
Elbief, Prince of Wales Lane, Birmingham, 12.00
Neepsend, Kenwood Hall, Kenwood Road, Sheffield, 12.15
Newmark (Louis), 143-149 Great Portland Street, W, 12.00
Somportex, Winchester House, 100 Old Broad Street, EC, 12.30

BOARD MEETINGS—
Finals:
Guildhall Property
London and Montrose Inv. Tst.
London Shop Property Tst.
Pearce (C. H.)
Prestwich Parker
Thorpe (F. W.)
Throgmorton Secd. Growth Tst.
Wombwell Foundry and Eng.
Interims:
Debenhams
Dominion and Gen Tst.
Hunting Gibson
Industrial and Gen. Tst.
Marks and Spencer
Scottish Mortgage and Tst.
Steel Bros.
Utd. Eng. Inds.

DIVIDEND & INTEREST PAYMENTS—
Bogod-Pelepah 0.4p
Do A 0.8p
Brammer (H) 1.8p
Christie-Tyler 4.5p
Motorola 35cts
Penland Inds 0.35p
Wyndham Engineering 1.75p

FRIDAY, OCTOBER 17

COMPANY MEETINGS—
Bollington Textile Printers, Arkwright House, Parsonage Gardens, Manchester, 12.00
Compco, 7, Albyn Place, Edinburgh, 11.00
Meat Trade Suppliers, Winchester House, 77 London Wall, EC, 12.00
Surmah Valley Tea Corp, 52-54 Leadenhall Street, EC, 12.00
Watshams, High Road, Willesden, NW, 12.00

BOARD MEETINGS—
Finals:
Forward Technology
Stothert and Pitt
Interims:
Allebone
Lowland Inv.
Martin (Albert)
Mettoy

DIVIDEND & INTEREST PAYMENTS—
Assam Trading B 1.25p
Black (A & C) 0.5p
Church 2.5p
Compco 1.6p
Courts (Furnishers) Ord & A 1.95p
Douglas (Robert M) 3.4p
Elbief 0.918p
Elliott (B) 7.25p
General Mining Union Corp 50cts
Jamesons Chocolates 1p
Jones (A A) & Shipman 1p
KCA International 2.5p
Neepsend 2.30315p
Newmark (Louis) 7p
Sharna Ware 1.4p
Somportex 5.625p
Standard Chartered Bank Fltg.Rate Cap Notes 1984 12pc
Stirling Knitting 0.5p
Watshams 5.45p
Weber 2p
Wills (George) 1.5p
Wintrust 1.9404pc
Woodward (H) 0.5p
Wyatt (Woodrow) 1.5p

SUNDAY, OCTOBER 19

DIVIDEND & INTEREST PAYMENTS—
Moygashel Deb 3⅞pc
Ynys Mon-Isle of Anglesey Var Rate Red 1983 £8.9[illegible]3

Public schools cost families £2,389 a year

By Eric Short

PARENTS having children educated at public schools spend on average nearly one-quarter of their net income on school fees according to C. Howard and Partners, a leading company of school fee planning specialists.

A new survey shows that *the average fees per family* amounted to £2,389 per year against £1,616 two years ago—a rise of 48 per cent. By comparison, the family income has lagged behind with the average earnings of fathers improving by 31 per cent from £11,870 to £15,542 and that of working wives by only 12 per from £2,600 to £2,919. Thus the amount spent on school fees as a proportion of the family income rose from 17.9 per cent in 1978 to 22.9 per cent this year.

High costs push Eastern Airlines deeper into red

BY DAVID LASCELLES IN NEW YORK

EASTERN AIRLINES, the first of the major U.S. carriers to report quarterly earnings in the current round, remained in the red in the three months ended September 30.

A net loss of $22.3m, equivalent to 95 cents a share, compared with a small profit of $3m, or 7 cents, in the same period of 1979. Eastern blamed this on the fact that costs rose considerably faster than revenues. According to the earnings statement, operating revenues in the three months were up 17.3 per cent to $856.6m, but expenses rose 22 per cent to $866m. This resulted from the rising cost of fuel and the general weakness of the air travel business.

With losses having been suffered in previous quarters this year, Eastern's nine-month loss stands at $34.7m, equal to $1.57 per share, compared with net income of $42.4m, or $1.54 a share, in the comparable period last year. Nine months' operating revenues were $2.56bn, up from $2.12bn last year. Operating expenses were $2.57bn, up from $2.03bn.

Eastern put out its results early because it had to file a registration statement in connection with a proposed offering of 2m new units of Preferred stock. The offering is expected to raise about $50m, which, Eastern says, will be used to provide general corporate funds and augment stockholders' equity.

Fibreboard rationalisation in Australia

By James Forth in Sydney

JAMES HARDIE Industries and Australian Paper Manufacturers have combined to bring about a further rationalisation of the Australian paper packaging industry. James Hardie will purchase most of APM's fibreboard container operations. It will form a new company, James Hardie containers, in which APM will have a 40 per cent interest.

The new company will acquire the New South Wales and Queensland fibreboard container operations of Reed Paper and Packaging, the NSW, Queensland, Victorian and Western Australian fibreboard container operations of United Packages and the Victorian and South Australian operations of Tasman UEB Industries.

James Hardie is also involved currently in the takeover of another packaging group, J. Fielding Holdings,

Dutch construction group absorbs U.S. venture

BY CHARLES BATCHELOR IN AMSTERDAM

VERENIGDE BREDERO Bedrijven, the Dutch construction group, will raise its holding in Bredero Price, the U.S. pipeline coating company, to 100 per cent, from 50 per cent next year.

The company's headquarters will be moved from Bartlesville, Oklahoma, to Houston, Texas, though no management changes are planned. No financial details are given.

The two companies began co-operation in oil and gas pipeline coatings in the early 1960s, and this led to Bredero acquiring a half share in the U.S. group last year. The decision has now been taken to complete the takeover, to permit Mr. Harold Price to free some of the capital he has tied up in the company, and to allow Bredero to expand a successful part of its activities.

Bredero Price will achieve turnover of Fl300m this year, from 16 factories in North and South America, the Middle and Far East and Western Europe.

Bredero Price recently announced the acquisition of 50 per cent in Gaido-Lingle company of Houston. This company has annual turnover of $20m and specialises in the coating of small-diameter pipes. It also has factories in El Reno, Oklahoma, and Fort Collin, Colorado.

● Bijenkorf Beheer (KBB), the Dutch department stores group, has raised its holding in Macks Stores of Sanford, North Carolina, to 100 from 51 per cent. Mack's remaining U.S. shareholders agreed earlier this week to the full takeover, which has cost KBB just over Fl 30m ($15m).

KBB announced last may that it had bought 51 per cent of the U.S. group for $14.25 a share and said it hoped to acquire the rest of Mack's 1.06m shares over the next few months.

Earnings setback at Zellerbach

By Our Financial Staff

NET PROFITS of Crown Zellerbach Corporation, the U.S. paper, packaging and wood products group, fell by 73.4 per cent in the third quarter of the year, to $8.8m, or 23 cents a share, from $33.1m, or $1.30 a share, in the same period of 1979.

The decline came on sales up 6.1 per cent to $786.2m, from $741.3m. The company expects improved results in the fourth quarter, however.

The third quarter setback meant that for the first nine months of the year, the group suffered a fall of 37.7 per cent in net profits, to $62.1m, or $2.19 a share, from $99.6m, or $3.91 a share. Sales for the nine months were up 9.8 per cent to $2.28bn, from $2.08bn.

Mr. C. R. Dahl, the chairman and chief executive, attributed the earnings decline to the recession, and to non-recurring costs of about $16m associated with starting up a containerboard mill

Hilton Hotels lifts profits

By Our Financial Staff

HILTON HOTELS Corporation raised its net profit for the third quarter by 8.8 per cent to $25.9m, from $23.8m in the same three months of 1979. Earnings a share were 97 cents, against 90 cents.

Revenue showed a gain of 9.1 per cent to $141.1m, from $129.2m, bringing the total for the first nine months to $424.4m, or 9.2 per cent more than the $388.8m a year earlier. Net profits for the nine months were 5.8 per cent higher, at $79.8m, or $3.01 a share, against $75.4m, or $2.86 a share.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Acrow	Nov. 8	Int. 1.5	London Brick	Oct. 23	Int. 1.734
Allied Irish Banks	Oct. 31	Int. 2.75	London and Mid. Inds.	Nov. 8	Int. 2.9
*Assoc. Biscuit	Oct. 14	Int. 2	*London and Northern	Oct. 22	Int. 1.4
Assoc. Brit. Foods	Nov. 5	Int. 1.1	*Lucas Inds.	Nov. 10	Final 8.433
*Bank of Ireland	Nov. 6	Int. 7.5	Mallinson-Denny	Oct. 30	Int. 1.5
*Ball (A.)	Oct. 29	Final 3.52	Marks and Spencer	Oct. 16	Int. 1.5
*Berec	Oct. 24	Int. 1.3	*Mowlem (J.)	Oct. 15	Int. 1.75
*Brit. Home Stores	Oct. 22	Int. 3.5	Peachey Prop.	Oct. 25	Final 2.0
Brooke Bond	Oct. 18	Final 2.635	Readicut Intl.	Nov. 7	Int. 0.55
Coats Patons	Nov. 1	Int. 1.4	Reed Intl.	Oct. 30	Int. 4.0
Combined Eng. Stores	Oct. 5	Int. 1.49	*Rugby Prtlnd. Cement	Oct. 13	Int. 2.2
*Debenhams	Oct. 16	Int. 2.0411	Sainsbury (J.)	Nov. 7	Int. 3.0
*Ductiles Steels	Oct. 21	Final 4.881	Sketchley	Oct. 23	Int. 2.8
Eastern Produce	Oct. 19	Int. 1.4	Spirax-Sarco	Oct. 16	Int. 2.5
*Glaxo	Oct. 13	Final 11	*Telephone Rentals	Oct. 22	Int. 1.8
Harrisons & Crosfield	Oct. 30	Int. 7.5	Tozer Kmsly. Milbourn	Oct. 23	Int. 1.59
*Harrisons Mlysn. Ests.	Oct. 12	Final 7.857	*UBM	Oct. 21	Int. 2.0
Hawker Siddeley	Oct. 18	Int. 3.0	Whitbread	Nov. 6	Int. 1.494
Hepworth (J.)	Oct. 30	Final 3.0	Wisly-Hughes	Nov. 9	Final 6.764

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

CORAL INDEX: Close 467-472 (−8)

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley 051 548 6555	13¼	½-year	1,000	4-5

BASE LENDING RATES

A.B.N. Bank	16 %	■ Hambros Bank	16 %
Allied Irish Bank	16 %	■ Hill Samuel	§16 %
American Express Bk.	16 %	C. Hoare & Co.	†16 %
Amro Bank	16 %	Hongkong & Shanghai	16 %
Henry Ansbacher	16 %	Industrial Bk. of Scot.	16½%
A P Bank Ltd.	16 %	Keyser Ullmann	16 %
■ Arbuthnot Latham	16 %	Knowsley & Co. Ltd.	18 %
Associates Cap. Corp.	16 %	Langris Trust Ltd.	16 %
Banco de Bilbao	16 %	Lloyds Bank	16 %
BCCI	16 %	Edward Manson & Co.	17 %
Bank of Cyprus	16 %	Midland Bank	16 %
Bank of N.S.W.	16 %	■ Samuel Montagu	16 %
Banque Belge Ltd.	16 %	■ Morgan Grenfell	16 %
Banque du Rhone et de la Tamise S.A.	16½%	National Westminster	16 %
Barclays Bank	16 %	Norwich General Trust	16 %
Bremar Holdings Ltd.	17 %	P. S. Refson & Co.	16 %
Brit. Bank of Mid. East	16 %	Rossminster	16 %
■ Brown Shipley	16 %	Ryl. Bk. Canada (Ldn.)	16 %
Canada Perm't Trust	17 %	Schlesinger Limited	16 %
Cayzer Ltd.	16 %	E. S. Schwab	16 %
Cedar Holdings	16 %	Security Trust Co. Ltd.	17 %
■ Charterhouse Japhet	16 %	Standard Chartered	16 %
Choulartons	16 %	Trade Dev. Bank	16 %
C. E. Coates	16 %	Trustee Savings Bank	16 %
Consolidated Credits	16 %	Twentieth Century Bk.	16 %
Co-operative Bank	*16 %	United Bank of Kuwait	16 %
Corinthian Secs.	16 %	Whiteaway Laidlaw	16½%
The Cyprus Popular Bk.	16 %	Williams & Glyn's	16 %
Duncan Lawrie	16 %	Wintrust Secs. Ltd.	16 %
Eagil Trust	16 %	Yorkshire Bank	16 %
E. T. Trust Limited	16 %		
First Nat. Fin. Corp.	18 %		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	16 %		
Antony Gibbs	16 %		
Greyhound Guaranty	16 %		
Grindlays Bank	‡16 %		
■ Guinness Mahon	16 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 14%, 1-month deposits 14¼%.
† 7-day deposits on sums of £10,000 and under 14%, up to £50,000 14½% and over £50,000 14¾%.
‡ Call deposits over £1,000 14%.
§ Demand deposits 14½%.

Public Works Loan Board rates

Effective from October 4

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	13¾	13½	13¼	14¼	14¼	13⅞
Over 5, up to 10	13¾	13½	13¾	13¾	14½	14¼
Over 10, up to 15	13⅞	13⅞	13⅝	14¾	14¼	14½
Over 15, up to 25	13⅝	13⅝	13⅝	14⅛	14⅛	14⅛
Over 25	13⅝	13⅝	13⅝	14⅛	14⅛	14⅛

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

CURRENCIES, MONEY and GOLD

A nervous quiet

BY COLIN MILLHAM

Financial markets were extremely quiet last week, with few significant movements in interest rates or currencies. Although the conflict between Iran and Iraq continued to unsettle trading, confidence grew that the danger of a more widespread war had receded. The Japanese yen was probably the most sensitive currency to events in the Middle East, but the recent improvement in Japan's economic prospects continued to underpin the yen.

Lower Eurodollar interest rates led to a slight easing of the dollar against other major currencies, including the D-mark and Swiss franc. During the last two months U.S. bank prime lending rates have risen by up to 3 per cent, but may now have reached a peak for the time being, while last week Eurodollar rates fell by about ½ per cent.

On the other hand uncertainty about the date of any cut in Bank of England Minimum Lending Rate kept sterling very firm, although the general level of foreign exchange trading was low. There was growing conviction that a reduction in MLR is still several weeks away, and the latest figures on the Central Government Borrowing Requirement were well received by the currency market, despite fears in the City that the final figure for the year will turn out well above the official target. The pound rose above $2.40 once again, and improved 1.45 cents on the week.

Following the political crisis in Belgium, resulting from the resignation of the Government, the National bank probably gave more support to the Belgian franc than the estimated BFr 3bn of the previous week.

Apart from the Italian lira—suffering from Italy's acute economic and political problems—the Belgian franc finished as the weakest member of the European Monetary System last week. French interest rates have been slightly easier recently, but the Bank of France is unlikely to allow any further marked decline, if it wants to keep the franc at the top of the EMS, where it returned on Friday. The latest figures have shown a growing French trade deficit with West Germany, which may lead to a record shortfall this year.

GOLD

	Oct. 10		Oct. 9	
Gold Bullion (fine ounce)				
Close	$685-688	(£284-285¼)	$688-691	(£287-288¼)
Opening	$683-686	(£284½-285¾)	$678-681	(£283¾-285)
Morning fixing	$683.50	(£284.590)	$681.75	(£285.168)
Afternoon fixing	$685.25	(£284.690)	$690.00	(£288.124)
Gold Coins				
Krugerrand	$704½-706	(£292¾-294¼)	$711-713	(£296½-298½)
1/2 Krugerrand	$359-364	(£149-152)	$359-364	(£149½-152½)
1/4 Krugerrand	$181-185	(£74-77)	$181½-185½	(£75½-78½)
1/10 Krugerrand	$73½-76½	(£30-32)	$74-77	(£30½-32½)
Mapleleaf	$696-700	(£289-292)	$704-708	(£293½-295½)
New Sovereigns	$173-174	(£71¾-72½)	$174-175	(£72½-73½)
King Sovs.	$194-199	(£80½-81½)	$194½-196½	(£81-82)
Victoria Sovs.	$194-199	(£80½-81½)	$194½-196½	(£81-82)
French 20s	$171-174		$171-174	
50 pesos Mexico	$847-850		$849-852	
100 Cor. Austria	$669-673		$670-674	
$20 Eagles	$785-789		$786-790	

OTHER CURRENCIES

Oct. 10	£	$		£ Note Rates
Argentina Peso	4658-4678	1936-1943	Austria	30.55-30.85
Australia Dollar	2.0470-2.0490	0.8500-0.8503	Belgium	69.45-70.10
Brazil Cruzeiro	140.14-141.04	58.28-58.48	Denmark	13.27-13.37
Finland Markka	8.78-8.79	3.6500-3.6510	France	9.99-10.07
Greek Drachma	102.147-104.615	42.70-42.95	Germany	4.31¾-4.35¾
Hong Kong Dollar	12.035-12.050	5.0060-5.0080	Italy	2050-2153
Iran Rial	n.a.	n.a.	Japan	498-503
Kuwait Dinar(KD)	0.639-0.645	0.2669-0.2671	Netherlands	4.69½-4.73½
Luxembourg Frc.	69.60-69.70	28.95-28.97	Norway	11.64-11.74
Malaysia Dollar	5.0810-5.0920	2.1130-2.1150	Portugal	116-126
New Zealand Dlr.	2.4480-2.4500	0.0168-1.0178	Spain	172.25-181.60
Saudi Arab. Riyal	7.95-7.99	3.3200-3.3215	Sweden	9.95-10.05
Singapore Dollar	5.0315-5.0425	2.0926-2.0945	Switzerland	3.915-3.945
Sth. African Rand	1.8015-1.8030	0.7496-0.7502	United States	2.3950-2.4100
U.A.E. Dirham	8.82-8.88	3.6890-3.6905	Yugoslavia	72-74

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Oct. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.3980-2.4100	2.4030-2.4040	0.65-0.55c pm	3.00	1.72-1.62 pm	2.78
Ireland†	2.0890-2.0910	2.0890-2.0905	0.13-0.03c pm	0.46	0.45-0.35 pm	0.77
Canada	1.4622-1.1640	1.1637-1.1640	0.30-0.25c pm	2.84	0.46-0.41 pm	1.50
Nethlnd.	1.9605-1.9631	1.9620-1.9630	0.66-0.56c pm	3.73	1.50-1.40 pm	2.96
Belgium	28.94-28.98	28.95-28.97	5.00-3.50c pm	1.76	5.00-3.00 pm	0.55
Denmark	5.5530-5.5580	5.5530-5.5545	0.50-1.00ore dis	−1.62	4.15-4.65dis	−3.17
W. Ger.	1.8020-1.8050	1.8035-1.8045	0.77-0.73pf pm	4.99	1.96-1.91 pm	4.28
Portugal	50.05-50.15	50.05-50.15	15-30c dis	−5.39	40-85 dis	−4.99
Spain	73.93-73.98	73.93-73.98	60-75c dis	−10.95	1.70-200dis	−10.01
Italy	858.50-859.50	858.65-858.95	6.00-6.70lire dis	−0.09	2.20-2.40dis	−0.01
Norway	4.8525-4.8570	4.8555-4.8565	0.65-0.15c pm	0.99	1.70-1.20 pm	1.19
France	4.1770-4.1850	4.1815-4.1830	0.70-0.60c pm	1.87	0.95-0.85 pm	0.86
Sweden	4.1550-4.1595	4.1560-4.1565	0.60-0.75ore dis	−1.95	2.30-2.45dis	−2.29
Japan	208.00-209.10	208.85-208.95	0.55-0.40y pm	2.73	1.15-1.00 pm	2.06
Austria	12.7500-12.767	12.7500-12.7650	2.10-1.50gro pm	1.69	3.00-1.25 pm	0.67
Switz.	1.6330-1.6385	1.6345-1.6355	1.20-1.15c pm	8.62	3.10-3.05 pm	7.52

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Oct. 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.3980-2.4100	2.4030-2.4040	0.65-0.55c pm	3.00	1.72-1.62 pm	2.78
Canada	2.7910-2.8000	2.7985-2.7995	1.40-1.30c pm	5.79	3.05-2.90 pm	4.25
Nethlnd.	4.69½-4.73½	4.71½-4.72½	3-2c pm	6.36	6⅞-5⅞ pm	5.40
Belgium	69.40-69.85	69.60-69.70	28-18c pm	3.96	58-48 pm	3.04
Denmark	13.33-13.39	13.34-13.35	1¼-2¼ore dis	−1.63	3-4½ dis	−1.12
Ireland	1.1460-1.1520	1.1480-1.1490	0.29-0.18p pm	2.46	0.57-0.45 pm	1.78
W. Ger.	4.32-4.36	4.33¼-4.34¼	3¼-2¼pf pm	7.95	8-7pf pm	6.92
Portugal	119.90-120.90	120.25-120.45	5-45c dis	−2.49	25-135 dis	−2.66
Spain	177.00-178.10	177.60-177.70	90-130c dis	−7.43	300-355 dis	−7.37
Italy	2059-2069	2063½-2064½	8½-10½lire dis	−5.52	39-42 dis	−7.85
Norway	11.65-11.71	11.66½-11.67½	4½-3ore pm	3.79	11½-10 pm	3.68
France	10.03-10.07	10.04¼-10.05¼	4¼-3¼c pm	4.48	9¼-8¼ pm	3.48
Sweden	9.97-10.02	9.98½-9.99½	1-¼ore pm	0.75	3¼ pm-¼dis	−0.65
Japan	498-505	501¼-502¼	2.60-2.20y pm	5.73	6.05-5.55 pm	4.62
Austria	30.60-30.77	30.65-30.70	12-10gro pm	4.30	25-20 pm	2.93
Switz.	3.91½-3.96	3.92¼-3.93¼	4½-3½c pm	11.06	10½-9½ pm	10.17

Belgian rate is for convertible francs. Financial franc 69.90-70.00. Six-month forward dollar 2.38-2.33c pm. 12-month 3.00-2.85c pm.

FT LONDON INTERBANK FIXING (11.00 a.m. OCTOBER 10)

3 months U.S. dollars		6 months U.S. dollars	
bid 12 7/8	offer 13	bid 12 7/8	offer 13

The fixing rates are the arithmetic means, rounded upwards to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Oct. 10	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One Year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollar two years 12⅜-12⅝ per cent; three years 12⅜-12⅝ per cent; four years 12⅜-12⅝ per cent; five years 12⅜-12⅝ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore. The following nominal rates were quoted for London dollar certificates of deposit: one-month 12.70-12.80 per cent; three-months 12.75-12.85 per cent; six-months 12.80-12.90 per cent; one year 12.90-13.00 per cent.

LONDON MONEY RATES

Oct. 10 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance house seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¾-13½ per cent; four years 13¾ per cent; five years 13¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14½ per cent; four-month trade bills 15 per cent.

Approximate selling rate for one-month Treasury bills 14¼-14⅝ per cent; two-months 14¼-14⅛ per cent; three-months 14¼ per cent. Approximate selling rates for one-month bank bills 15⅛ per cent; two-months 15⅛ per cent; three-month 14¾-14⅞ per cent; one-month trade bills 16 per cent; two-months 15⅞ per cent; and three-months 15⅜ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16½ per cent from October 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 14.2425 per cent.

CURRENCY RATES

Oct. 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgium F.	[illegible]	[illegible]	[illegible]
Danish K.	[illegible]	[illegible]	[illegible]
D'mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn. Kr.	[illegible]	[illegible]	[illegible]
Spanish Pts.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Issue price p	Amount Paid up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

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Continued on previous page

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1Ja	1J	N.Z. 7¼pc 1988-92	67	2.6	11.16	13.17
15J	15D	Do. 7½pc '83-86	82	9.40	9.42	12.60
1M	1N	Sth. Africa 9½pc '79-81	94xd	26.9	10.04	15.10
1A	1O	S. Rhod. 2½pc Non-Ass.	100	3.66	28.91	28.91
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Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
May		Burma Mines 10p	14½	14.4	0.62	1.1	6.2
—		Colby Res. Corp.	273	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	290	30.6	t030c	1.8	5.9
—		††Hemerdon 10c.	95	—	—	—	—
—		Northgate C$1	520	977	—	—	—
Jan.	July	R.T.Z.	445xd	29.9	t16.0	3.2	5.1
—		Robert Mines	43	—	—	—	—
—		††SPO Minerals 10p	112	—	—	—	—
—		Sabina Inds. C$1	42	—	—	—	—
—		††SWCM 10p	38	—	—	—	—
—		Tara Exptn. $1	570	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♰ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	35	......	Conv. 9% '80/82	£94⅞	+⅛
Bertam	15	......	Nat. 9¾% 84/89	£84	+⅛
Bdg'wtr. Est. 50p	478	......	Fin. 13% 97/02	£90⅝	+⅛
Craig & Rose £1	£11	......	Alliance Gas	51	......
Fife Forge	37	......	Arnott	212	......
Finlay Pkg. 5p	25	—3	Carroll (P.J.)	75	......
Graig Ship. £1	£17	......	Clondalkin	105	—1
Higsons Brew	70	......	Concrete Prods.	85	......
Holt (Jos) 25p	258	......	Heiton (Hldgs.)	34	......
I.O.M. Stm. £1	158	......	Ins. Corp.	300	......
Pearce (C. H.)	480	......	Irish Ropes	38	......
Peel Mills	49	+4	Jacob	35	......
Sheff. Refrshmt	99	......	T.M.G.	65	+3
Sindall (Wm.)	141	......	Unidare	80	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	7	I.C.I.	27	Utd. Drapery	6½
BOC Intl.	6	"Imps"	6½	Vickers	12
B.S.R.	4½	I.C.L.	14	Woolworths	5½
Babcock	8	Inveresk	4	**Property**	
Barclays Bank	34	Ladbroke	15	Brit. Land	7
Beecham	10	Legal & Gen.	15	Cap. Counties	9
Blue Circle	25	Lex Service	8	Land Secs.	24
Boots	16	Lloyds Bank	24	MEPC	17
Bowaters	15	"Lofs"	3½	Peachey	13
B.A.T.	20	London Brick	6	Samuel Props.	12
Brown (J.)	6	Lucas Inds.	17	Town & City	2
Burton 'A'	10	"Mams"	14	**Oils**	
Cadburys	5½	Mrks. & Spncr	8	Brit. Petroleum	32
Courtaulds	8	Midland Bank	26	Burmah Oil	20
Debenhams	8	N.E.I.	5	Charterhall	10
Distillers	17	Nat. West. Bank	27	KCA	11
Dunlop	7½	P & O Dfd.	10	Premier	13
Eagle Star	15	Plessey	14	Shell	35
F.N.F.C.	2¼	Racal Elect.	22	Tricentrol	40
Gen. Accident	21	R.H.M.	4½	Ultramar	35
Gen. Electric	30	Rank Org.	15	**Mines**	
Glaxo	18	Reed Intnl.	16	Charter Cons.	14
Grand Met	12	Sears	5	Cons. Gold	40
G.U.S. 'A'	34	Tesco	6	Lonrho	8
Guardian	23	Thorn	23	Rio T. Zinc	35
G.K.N.	20	Trust Houses	12		
Hawker Sidd	15	Tube Invest.	25		
House of Fraser	15	Unilever	40		
		U.D.T.	5½		

"Recent Issues" and "Rights" Page 22

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FINANCIAL TIMES
Monday October 13 1980

KHORRAMSHAHR IN RUINS BUT IRANIAN RESISTANCE FIERCE

Iraq widens oil province offensive

BY RICHARD JOHNS IN KHORRAMSHAHR

TROOPS OF Iraq and Iran were fighting at close quarters in the city of Khorramshahr yesterday as the Iraqi high command prepared for what it considered the final assault on the strategic port.

The repeated refusal of the Iranian Government to consider peace talks or mediation so long as the Iraqi army is on its territory has compelled Baghdad to broaden the scope of its offensive and to accept heavy casualties in pursuit of a strategic victory in the oil province of Khuzestan.

In Khorramshahr itself, continuous bursts of small arms fire and the explosion of grenades resounded only 500 yards from the port which the Iraqis now appear to have secured fully.

Small bands of Iranians are still fighting resolutely, 16 days after Iraq claimed to have conquered the city.

One mortar bomb fired by the beleaguered defenders landed beside the port and another smashed into the smouldering wreck of an anchored coaster. Other vessels, abandoned by their crews, give the docks an eerie appearance.

About 10 miles north of Khorramshahr the Iraqis have apparently succeeded in launching a flank attack by establisihng three crossing points on the Karun river before it divides into two channels.

The aim is to encircle both Khorramshahr and Abadan, their two key objectives on the Shatt al-Arab waterway.

But they have not yet succeeded in crossing the main bridge leading to the oil refinery complex some 12 miles to the south-west.

An Iraqi colonel on the battlefield said the strength of the opposition and the fire they put down was too intense to allow his forces to push beyond the bridge across the main stream of the Karun river, which is about 100 yards wide at this point.

"We are sure we will cross in the next day or two, he said, but it might take another week at least for Iraq to gain control of the Iranian bank of the Shatt al-Arab.

Surprisingly, Iraq has not yet committed its aircraft to the tactical support of its ground troops. It is relying more on heavy artillery which continues to pound the ruins of Khorramshahr.

On the approach road to the city, however, three dozen Iraqi tanks rumbled forward to join the outflanking offensive.

Further north, Iraq said, its forces were attacking from the south and west. It claimed to have captured a radio station effectively destroyed a fortnight ago.

Dezful is reported officially to be under attack from three sides, but Iraq is far from reaching its objectives 22 days after the war started.

On Saturday, meanwhile, Iraq announced the withdrawal of diplomatic personnel from Syria, Libya and North Korea. The move is short of a full severance of relations, according to the language of the broadcast statement which did not speak of "breaking" links.

Those with Syria were ruptured two months ago when Iraq expelled the whole of the Syrian mission in Baghdad alleging that the embassy was stocked with arms for saboteurs and poisons to be used to assassinate Iraqi leaders.

The border with Syria was not closed on Saturday and transit trade through Syria to Iraq continued. With the closure of its *Gulf outlets and air space, the* route is now vital for Iraq.

£500,000 buys an oilman's dream

By Ray Dafter

MR. ALGY CLUFF, one of the new breed of UK oil explorers, has bought Furzey Island, just off the Dorset coast in Poole Harbour, for £500,000.

It is an attractive 33-acre island with a house, two cottages and a thriving colony of red squirrels. For Mr. Cluff it also has another attraction.

Furzey Island is thought to lie above the geological structure containing the Wytch Farm oilfield.

Wytch Farm, jointly owned by British Gas and British Petroleum, is likely to be one of the most profitable fields in the UK. Its estimated recoverable reserves amount to 90m barrels.

Pleasure

It is significantly bigger than some commercial fields in the North Sea, and yet development costs are but a fraction of those for offshore fields. So far about £20m has been spent on exploration and development at Wytch Farm.

Mr. Cluff, chairman of Cluff Oil, maintains he has bought the island "for pleasure rather than business." But he admits that he is checking to see who owns the exploration rights on the island.

"It is a lovely island. I will certainly be living there," said Mr. Cluff, a 40-year-old bachelor with an eye for properties and oil concessions.

Apart from his home in Belgravia, London, he has a lodge with large grouse shooting moors in Aberdeenshire and a country retreat on the cliffs of Dover.

Concessions

Last Friday, Mr. Cluff and his offshore partners presented to the Department of Energy their claims for the new round of UK exploration licences.

He is seeking seventh round concessions in the Moray Firth, off the east coast of Scotland, and in the English Channel.

"But I won't be using Furzey as a service base or anything like that," said Mr. Cluff. "It is a wildlife area. Being a landowner in the area will make me particularly inclined to honour the local environment."

From Furzey, Mr. Cluff will be in a good position to watch developments at nearby Wytch Farm. For, like the rest of the oil industry, he knows that as part of its "privatisation" plans the Government is considering selling off some or all of the British Gas Corporation's 50 per cent stake in the oilfield.

Production from Wytch Farm began in March last year and is now running at 4,000 barrels a day—200,000 tonnes a year.

Algeria declares week of mourning for quake dead

BY ROBERT GRAHAM IN EL ASNAM

ALGERIA HAS declared seven days' mourning following the earthquake which devastated this city with a population of 110,000 last Friday.

Today new tremours shook the city as rescuers worked desperately to reach hundreds of victims who still appear to be alive.

Two days after the earthquake struck here recording 7.3 on the Richter scale, it is still impossible to obtain an accurate assessment of the casualties or damage.

Rescue workers say that there are many more bodies under the rubble than have been so far recovered. One small group of doctors near the main square spoke of 300 bodies being recovered by them in one morning alone.

In 1954 1,200 persons were killed in an earthquake in the city. Today there is talk of over 15,000 persons having been killed—possibly 20,000.

But El 9snam is by no means the sole town affected. The devastation spreads with varying degrees of severity in a radius of 40 to 70 miles from the town. Through the 180 kms of road which runs through rich valleys and low hills from Algiers to El Asnam, there is a constant stream of ambulances their sirens screaming and lights flashing.

A British Boeing 707 aircraft was due to leave Gatwick last night carrying 41 tons of emergency supplies for the quake victims. The £100,000 relief package, including more than 400 tents and 3,000 blankets, has been provided by the Government, the Red Cross and Oxfam.

The Government's overseas development administration said more aid might be sent later. Christian Aid and Help the Aged each announced they were making £10,000 available for Algerian relief work.

Two trains loaded with injured were sent early this morning from the area to Algiers. Other wounded are being evacuated as far as Oran in the other direction.

In El Asnam's main square, the flag is still flying at full mast. The building which it tops is so flimsy that no one dares reach the top floor to observe the full dimensions of Algeria's biggest natural disaster.

Nearby is the massive flattened rump of the town's largest building—the five-storey hotel Chelif. In what was once the hotel's car park, two cars have been reduced to less than a foot in height. On top of the buckled concrete there are scattered groups of onlookers and rescue workers, signalling the discovery of another body.

A Japanese guest was pulled out alive earlier in the morning. Right now a crane is pulling away the rubble from where the hotel manager and his family of six are believed to be located. The rescue workers using blow torches and crowbars have been working with virtually no sleep for over 14 hours. Now, they are forced to wear muslin scarfes to protect themselves from the stench.

A number of small communities nearby have also suffered a similar fate and it is possible that up to 120,000 or 150,000 persons have been made either temporarily or permanently homeless. The majority of houses are one storey and many are of very flimsy construction. This is an agricultural region. The town grew up from a French colony built in 1854, strategically spanning the route between Algiers and Oran.

Approval likely for Coral handshake

By Andrew Fisher

THE RECORD £300,000 golden handshake for Mr. Nicholas Coral, chairman of Coral Leisure Group which is being taken over by Grand Metropolitan, seems likely to be approval by Coral shareholders today.

Despite concern at the size of the payment expressed by some institutions, enough advance votes have come in to indicate a favourable result for the company.

"As far as the proxies are concerned, at the last count on Friday there was a very good majority in favour of the resolution," said Mr. David Spencer, Coral's finance director, at the weekend.

He had not personally heard of any major worries from institutional shareholders over the size of compensation, he said.

Nor did he think that today's extraordinary general meeting —required under the Companies Act—would be all that fully attended.

One well known figure who will be there, however, is Sir Fred Pontin, whose holiday camp operation was acquired by Coral a few years ago and who himself retired from the group's board last year with a payment of £200,000.

Although opposing the size of Mr. Coral's compensation, he commented: "One's got to accept that it is likely to be a fait accompli."

Grand Metropolitan is paying more than £80m for Coral which is now appealing against the loss of three London casino licences

Small business Minister urged

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE PRIME MINISTER is to be urged to set up a small business section of the Cabinet Office under a Minister of State who would be responsible directly to her, independent of other Government Departments.

The Cabinet Office would take over various small business responsibilities at present operated by the Departments of Industry and Environment.

It would also set up an "office of advocacy" which would vet all existing and proposed legislation and would lodge complaints with the Prime Minister when it felt the interests of small businesses were at risk.

The plan has been developed by the Conservative Party's small business bureau. It has been lobbying Ministers and is now trying to influence Mrs. Thatcher, arguing that small businesses need a strong central voice in the Government.

Lobbyists working through the Union of Independent Companies, a small firms' representative organisation, have also been asking the Government to introduce a clearing bank loan guarantee scheme.

Ministers are to consider the request this week along with other measures, including tax relief for small investors in new companies, which might offset the impact of the recession.

Proposals for setting up a U.S.-style Small Business Administration have been discussed for some years. They have been resisted in Whitehall where individual departments are jealous of their spheres of influence. The present Government is also opposed to setting up "quangos" such as the American body.

But Ministers are now searching for ways of placating small business interests which have considerable sway in the Conservative Party.

Both the lobbyists and some Ministerial advisers in Whitehall believe that the Government may be prepared this winter to consider reorganising the often overlapping services it provides for small businessmen.

Continued from Page 1

Pay rises

Government would be setting cash limits for the nationalised industries "very firmly" as part of the autumn spending review.

Nationalised industries were one of the most intractible parts of the economy. But even State monopolies could not escape "the facts of economic life."

The Chancellor's only oblique reference to the miners'. pay claim was to say that if the coal industry paid out excessive wage settlements and tried to recoup the cost through higher prices, demand would fall, customers would go abroad and jobs would be lost.

Continued from Page 1

TUC warning

will be Mr. Prior's proposals to alleviate the jobless crisis among school-leavers.

The new scheme, to be published next month, will include improvement and expansion of the youth opportunities programme guaranteeing any school-leaver unemployed for three months or more a training place or job opportunity. The total cost could exceed £300m.

The Treasury is prepared to back these measures but only if compensating economies are produced in Whitehall. Labour and union leaders fear this could mean a further cut in employment and in services.

No decisions have been reached but prime targets are expected to be the higher education budget and the health service. New charges for hospitals and higher prescription charges are under consideration.

Any more cuts in public spending—and it was in this area that most pressure was exerted on Ministers at the Tory conference—would be certain to sour further the tense relationship between Mrs. Thatcher and union leaders.

Wells Fargo plans indexed funds

BY CHRISTINE MOIR

WELLS FARGO, the eleventh largest bank in the U.S. and a leading manager of institutional funds, is planning to introduce U.S.-style passive fund management to the UK.

It plans to launch, on November 4, two unit trusts for tax-exempt pension funds and charities. Money invested in the trusts will be used to buy a portfolio of shares which exactly match the Financial Times-Actuaries All-Share Index and the Standard and Poors equivalent index for U.S. stocks.

Minimum initial investment in the trusts — the first pure index funds to be launched in the UK — is to be £500,000 for the FT-A fund and $1m for the S and P fund.

The concept of "investing in the index" — building up a portfolio of equities which mirrors the composition of the All-Share index and therefore, theoretically, *performs in line with the* index — has become popular in the U.S.

Studies in the U.S. persuaded many fund managers there that it is difficult, if not mathematically improbable, to out-perform the index by active management of a personally selected portfolio of shares.

As a result, there has been a tendency to "index" funds— to invest new money passively according to a formula which mirrors the index.

According to Mr. Gary Hewitt, the London director of Wells Fargo responsible for the new trusts, the U.S. experience shows that funds which begin indexing tend to commit increasing amounts of money to it.

"When they find an indexed fund returns exactly what has been promised while conventional money managers produce an erratic performance, they develop an increasing understanding of the potency of it," Mr. Hewitt said.

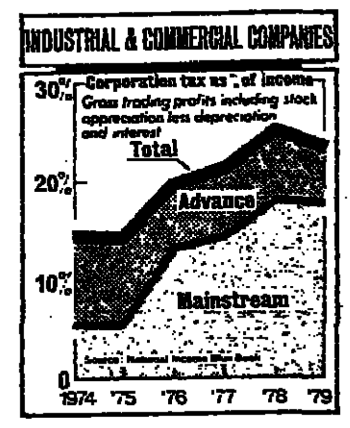
The claims made for indexing have been treated with scepticism in the UK. However, most funds include a core portfolio of stocks which tend to reflect the index. These are rarely traded, active buying and selling being restricted to secondary holdings.

Wells Fargo believes that UK fund managers may be ready openly to augment those core holdings by units in a fund identical to the index.

THE LEX COLUMN

The drawback of clawback

As if the squeeze on profitability caused by falling sales volume, high interest rates, strong sterling and fierce price competition were not enough, companies are becoming increasingly anxious about their tax bills. In recent weeks many companies reporting results have shown a steep increase in effective tax rates, with some times dramatic effects on attributable earnings. The reason for the rise is the general halt to growth in stocks and capital expenditure, reducing or eliminating the usual benefit of stock appreciation relief and capital allowances.



So far, most of the higher tax rates have emerged in interim figures, at which stage they represent little more than best estimates. Among the companies reporting higher rates recently are STC, which said that lower growth in stocks and work in progress meant its tax charge was moving up from 22 per cent of pre-tax profits to 40 per cent. The rate at Fisons has risen from 27 per cent to 45 per cent and at Freemans (SW9) from 20 to 40 per cent.

A rise in the average rate of tax payable by industrial and commercial companies from perhaps 29 per cent last year (as estimated by brokers Phillips and Drew) to as much as 40 per cent would be bad enough. But the jump is coming as companies give new emphasis to current cost profits. So Tootal, for example, is paying £2m of tax after incurring a current cost loss of £4m, while the historical cost rise in Delta Metal's effective rate from 40 to 51 per cent turns into a jump from 59 to 146 per cent in CCA terms.

It is only through the introduction of stock relief in the mid-1970s that the real post-tax return for industrial and commercial companies has kept more or less steady over the past decade at—according to Bank of England figures—about 4 per cent. So it is ironic that the stock relief provision is proving such a double-edged weapon in the current recession.

The reason for the difference is that whereas last time round inflation remained high through the worst of the downturn, the rate is coming down rapidly now. Stock price inflation in many sectors is currently running at well below 10 per cent. So a quite small cut in stock volume can lead to the elimination of relief in the current year and in some cases a clawback of past relief. The increased tax bills will generally be payable nine months after the end of the accounting year.

Legislation in the latest Finance Act to postpone clawback of relief for a year—designed initially to cope with stock dips caused by the steel strike—looks like being of wide application due to the recession. But the first 5 per cent of any decline in stocks is specifically excluded, and many large retailers remain vulnerable to full clawback due to the net indebtedness provision. It would not be surprising to see the Government succumbing to pressure in the next Budget and extending the clawback postponement from one year to two.

Meanwhile, the Inland Revenue is due to release in the next couple of months the consultative document on Corporation Tax promised by the Chancellor in the Budget. The likelihood is that it will include a section on a permanent scheme of stock relief with the aim of enactment in the spring, spurred by the current difficulties of companies.

Current betting on the revised stock relief is for a cost of sales adjustment based on a small number of price indices, together with a monetary working capital adjustment. While this would bring changes in the incidence of tax in the various sectors, the aim is to leave the total tax bill unchanged. But as the higher tax demands loom closer, the illogicality of a system that continues to tax current cost losses could well become an important political issue.

Wells Fargo clearly believes that UK pension fund managers are at long last ready to come out of their closets—or at least, their trustees are. In a fortnight's time it will be launching two new unit trusts for UK pension funds, one of which will invest in the constituents of the FT-Actuaries All-Share Index and the other in stocks making up the corresponding U.S. index of Standard and Poors.

Indexed investment has become a powerful force in the U.S., being well designed to cope with the requirements of U.S. pension fund trustees dominated by the ERISA legislation and ever worried by the threat of litigious beneficiaries. Many U.S. fund managers have come to accept the argument that they can rarely expect to beat the performance of the broad market indices through the exercise of market judgment, however hard they try. And if you can't beat them, why not join them?

UK fund managers have publicly maintained a pretty strong resistance to the blandishments of the indexers. The Schlesinger unit trust management group launched a variation on an index fund in late 1977, but so far it has attracted only £1.7m of institutional money. Some say, however, that underneath the resistance is wearing away as more and more managers admit that their core holdings barely change and have more than a tendency to mirror the composition of the index.

If any group can exploit a change of attitude here it ought to be Wells Fargo, which has a big transatlantic reputation in the field. But a lot will depend on how the sales message is put across, and on what financial savings Wells Fargo can offer to trustees. More than a few closet indexers, charging standard fees and gently churning the funds, will be waiting with a degree of unease to see where Wells Fargo sets its management charges.

Coral Leisure

Shareholders at today's extraordinary meeting of Coral Leisure should press for further information before approving the proposed £300,000 payment to their chairman, Mr. Nicholas Coral, for loss of office following the agreed bid from Grand Metropolitan. It is clear that Mr. Coral had a right to substantial compensation in view of his service contract, which runs to the end of 1983 and brings a current salary of just over £42,000 a year. What is not at all obvious is how this has resulted in the agreement on a figure of £300,000. If this includes a significant *ex gratia* element, shareholders may well wonder how this relates to the company's distinctly troubled circumstances.

Weather

UK TODAY

RATHER COLD, max. temp. 12C. (54F.). Cloudy, with rain and sunny periods.

Most of England, Channel, Borders
Sunny periods becoming cloudy with rain. Max. temp. 10-12C. (50-54F.).

Edinburgh, Dundee, Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland
Sunny periods becoming cloudy with rain. Max. temps. 8-11C. (46-52F.).

S.W. and N.W. England, Wales, I.o.M., S.W. Scotland, Glasgow, Argyll
Cloudy with outbreaks of rain. Max. temp. 10-12C. (50-54F.).

C. Highlands, N.W. Scotland
Mostly dry with sunny intervals. Max. temp. 10-11C. (50-52F.).

Outlook: Some rain, bright intervals, cold.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	16	61	L. Plms.	C	23	73
Amsdm.	S	12	54	Lisbon	F	18	64
Bahrain	S	32	90	Locarno	C	10	50
Barcina.	S	20	68	London	S	12	54
Beirut	F	25	77	Luxmbg.	R	8	46
Belfast	C	10	50	Luxor	S	36	97
Belgrd.	R	15	59	Madrid	S	15	59
Berlin	S	12	54	Majorca	C	16	61
Biarritz	C	13	55	Malaga	S	22	72
Bmghm.	F	10	50	Malta	C	25	77
Blackpl.	S	13	55	M'chsr.	S	11	52
Bordx.	F	14	57	Melbne.	C	16	61
Boulgn.	C	13	55	Milan	F	13	55
Bristol	S	11	52	Mntreal.	F	7	45
Brussels	F	10	50	Moscow	S	14	57
Budpst.	R	13	55	Munich	R	7	45
Cairo	S	33	91	Nairobi	C	27	81
Cardiff	S	12	54	Naples	C	14	57
Cas'b'ca	C	20	68	Nwcstl.	S	17	63
Cape T.	S	24	75	Nicosia	S	24	75
Cologne	S	11	52	Oporto	F	17	45
Cpnhgn.	C	11	52	Oslo	C	12	54
Corfu	C	21	70	Paris	C	11	52
Dublin	F	10	50	Perth	S	22	72
Dbrvnk.	R	14	57	Prague	C	7	45
Ednbgh.	S	11	52	Reykjvk.	R	2	36
Faro	F	17	63	Rhodes	S	23	73
Florence	C	17	63	Rome	R	15	59
Frankft.	C	11	52	Salzbrg.	C	7	45
Funchal	R	21	70	Stckhm.	R	9	48
Geneva	C	7	45	Strasbg.	R	9	48
Gibrltr.	S	20	68	Sydney	C	24	75
Glasgow	F	11	52	Tangier	S	20	68
G'rnsey	S	12	54	Tel Aviv	S	26	79
Helsinki	R	9	48	Tenerife	F	20	68
H. Kong	C	28	82	Tokyo	C	23	73
Innsbrk.	C	7	45	Tunis	F	21	70
Invrnss.	C	9	48	Valencia	S	21	70
I.o.Man	C	10	50	Venice	R	13	55
Istanbul	S	21	70	Vienna	R	13	55
Jersey	F	13	55	Warsaw	C	12	54
Jo'burg	S	29	84	Zurich	R	8	46

C—Cloudy. F—Fair. R—Rain. S—Sunny.

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